S. HRG. 98-1208

IMPORT RELIEF FOR U.S. NONRUBBER FOOTWEAR INDUSTRY

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

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IMPORT RELIEF FOR THE U.S. NONRUBBER FOOTWEAR INDUSTRY

FRIDAY, JUNE 22, 1984

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
COMMITTEE ON FINANCE,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m. in room SD-215, Dirksen Senate Office Building, Hon. John C. Danforth (chairman) presiding.

Present: Senators Danforth, Heinz, Symms, and Mitchell.

Also present: Senators Cohen and Kasten.

[The press release announcing the hearing, the prepared statements of Senator Heinz and Senator Mitchell, and background material on the ITC injury determination follow:]

[Press Release No. 84-149]

SUBCOMMITTEE ON INTERNATIONAL TRADE ANNOUNCES HEARING ON IMPORT RELIEF FOR THE U.S. NONRUBBER FOOTWEAR INDUSTRY

Senator John C. Danforth (R., Mo.), Chairman of the Subcommittee on International Trade of the Committee on Finance, announced today that the Subcommittee will conduct a hearing on Friday, June 22, 1984, on measures to provide import relief to the domestic nonrubber footwear industry.

The hearing will commence at 10:00 a.m. in Room SD-215 of the Dirksen Senate Office Building.

In announcing the hearing, Chairman Danforth noted that on June 6 the International Trade Commission voted unanimously that the nonrubber footwear industry is not experiencing serious injury or facing a threat of serious injury from imports under the relevant standards of section 201 of the Trade Act, in spite of the fact that imports now account for approximately seventy percent of the U.S. market. Accordingly, the hearing will consider measures to provide the nonrubber footwear industry import relief, including S. 2731, the American Footwear Act of 1984, and amendments to section 201 of the Trade Act of 1974.

PREPARED STATEMENT OF SENATOR HEINZ

I welcome today's hearing as a constructive forum in which to discuss the options which remain open to the American nonrubber footwear industry. Although suffering from an import penetration rate of over 70 percent and an unemployment rate of almost 19 percent, the International Trade Commission rejected the industry's recent 201 petition filed under the 1974 Trade Act, 0 to 5, Congressional action is necessary in the face of the ITC's recent opinion denying import relief to the American footwear industry.

More than two out of every three pairs of shoes bought this year by American consumers will have been produced abroad, an increase of 54 percent since mid-1981. The reestablishment of import controls, which were allowed to expire in 1981, would give this industry much-needed breathing space to continue modernization

and investment plans started in the late 1970's when this sector was operating in an orderly manner. Production has declined from 413.1 million pairs in 1975 to 341.2 million pairs in 1983, the lowest levels since the 1930's. Many plants have been forced to close their doors and a significant number of others are continuing to operate in the red.

Employment in the domestic footwear industry has declined from 320,000 in 1968 to 130,000 today. The unemployment rate, which was 8.2 percent in 1978, rose to 19.4 percent in 1982, compared with 12.3 percent for all other manufacturing industries. Today's rate is about 18.7 percent, still higher than most other industries. The employment situation in the footwear industry is even more serious due to the nature of the footwear workforce—they are often older and female with skills unable to be transferred to other industries. Layoffs in this industry fall particularly hard on the rural and semi-rural areas where you typically find shoe factories and where other employment opportunities are limited.

The ITC's conclusion that the footwear industry had not been injured by imports was heavily influenced by the apparent profitability of the industry, yet their figures did not include those firms which had been forced to close during the same period. The Commission looked only at the "survivors" who had held up rather well against foreign imports. It seems that if a man is hit by a truck then he is injured and may get some relief. However, should he be hit by a truck and killed, he would not be considered to have been injured. The Commissioners have adopted the same attitude in their consideration of the domestic footwear industry.

The shoe industry is not asking for a handout, but for a chance. What is needed is legislation or administrative action designed to help the domestic nonrubber footwear industry survive an onslaught of imports from low-wage Third World countries and regain its competitiveness.

PREPARED STATEMENT OF SENATOR GEORGE J. MITCHELL

The subject of this morning's hearing is import relief for the domestic shoe industry.

I regret that such a hearing is even necessary. But the rejection by the International Trade Commission of the shoe industry's petition for import relief forces as to examine alternative means of obtaining import limits.

I am shocked and disappointed by the ITC's failure to find that the domestic shoe industry is seriously injured by imports. Since the Orderly Marketing Agreements expired in 1981, the industry has experienced a surge in imports, declining production, and increasing unemployment. Apparently the ITC concluded that the industry is not being hurt by imports because some domestic producers have maintained profitability by closing plants, laying off workers, and replacing the lost production with imported shoes.

This is not my concept of successful adjustment to international competition. This notion completely ignores the plight of the unemployed footwear workers, many of whom either live in areas that offer few alternative job opportunities or lack the necessary skills to be considered for openings that do exist.

The consequences of the ITC decision are easy to predict. I would like to include in the hearing record an article that appeared recently in *The New York Times.* This article tells of a shoe factory in New Hampshire that will be closing July 1. The announcement came just two days after the ITC vote, and the president of the company said that this action is a direct result of the Commission's decision. 250 workers will lose their jobs.

The company is not alone. Many other shoe companies must now assess the future of their domestic operations in light of the substantial profits they can earn by importing. Undoubtedly, we will witness more plant closings and an accelerated shift to off-shore production.

The issue of shoe import limits does not end with the ITC decision. The Constitution gives Congress the authority to regulate foreign commerce, so Congress should make the ultimate decision on import restraints on foreign footwear.

Our options are limited. The most effective solution, I believe, is to legislate the quotas sought by the industry. This is the approach taken in S. 2731, which was sponsored by Senator Cohen, myself, and a number of other Senators. Swift passage of this bill will provide the most reliable and most effective means of preserving the American footwear industry.

I recognize, however, the difficulties in securing passage of this bill. Thus, we must explore other possibilities. Along these lines, amendments to section 210 of the Trade Act of 1974 should be considered. If Congress determines that the shoe indus-

try is deserving of import relief, section 201 should be adjusted to reflect the industry's situation.

I look forward to hearing the opinions of the witnesses regarding the most appropriate course of action. Whatever route we choose, I hope that this committee will act promptly. It is important that we send a message to U.S. footwear producers and workers that the Congress is concerned about their future.

Senator DANFORTH. I have a little problem this morning in that the Tax Conference, the conference on the tax part of the down payment on the deficit, is hopefully concluding today. The conferees started meeting about 8:30 this morning, the Senate conferees did, and I am staying close to the phone. It is probable that in the very near future I am going to have to head for the conference.

I have learned from experience that if you leave the room during the last day of the Tax Conference you do so at great peril.

Senator Heinz has been good enough to agree to take over the hearing when the time comes that I have to leave. But I want to begin by saying the fact that I'm absent is something that I regret, because I think this is an extraordinarily important issue for an awful lot of people whose lives are disrupted by a surge of imported shoes.

A lot of my constituents and a lot of Senator Cohen and Senator Mitchell's constituents, anybody in a shoe-producing State, know what happens to whole communities when imports surge.

Life is, of course, full of surprises, and I have to say that one of the surprises—not a pleasant one, but one of the great surprises that I have had recently—was learning that the International Trade Commission by a vote of 5 to 0 found no injury to the U.S. shoe industry as the result of imports. I thought that if one thing in Washington was predictable it was that injury would be found. The idea that there could be 70-percent penetration and no finding of injury is something that is very hard to sink in. I think it is really clear from the legislative history of section 201 that Congress itself anticipated that the shoe industry was precisely what would be covered by section 201.

As a matter of fact, during the floor debate in thc Senate on the Trade Act of 1974, there was a colloquy on the floor between Senator Long and Senators Muskie and McIntyre about the footwear industry. The question was asked of Senator Long by Senators Muskie and McIntyre while section 201 was being debated on the floor of the Senate as to the possibility that the footwear industry would get relief under section 201. In answer to the specific question, Senator Long, managing the bill, said as follows: "It is our guess that if the shoe industry would seek relief under the terms of this act, chances are 90 out of 100 that it would get relief." And that was back in 1974.

So, when the ITC by a vote of 5 to 0 finds no injury, something has gone terribly wrong. It has either gone terribly wrong with the interpretation of congressional intent, the interpretation of what the law says, or in the alternative, something went terribly wrong in the analysis of the facts, or some combination of the two.

The ITC, with respect to its facts interpretation—and I think this hearing will point to this—did not include statistics in its factual analysis on plant closings. In its analysis of capacity and its analysis of employment, apparently it took a kind of snapshot approach

to the present state of the industry and it did not have any analysis of plant closings. In fact, since 1981 when the orderly marketing agreements ended, 13 percent of all of the shoe plants in this country have closed.

With respect to interpretation of the law, the ITC seems to have focused almost entirely on the profitability of companies—even if they are very large companies, even if they are conglomerates. In fact, the Congress provided that a number of things are to be analyzed in determining whether there is injury:

Significant idling of productive facilities in the industry; virtually ignored by the ITC in its findings in this case.

Inability of a number of firms to operate at a reasonable level of profit. The ITC seems to have analyzed profitability of an industry with a kind of mega-approach to economic analysis, without looking into the profitability of specific firms, and particularly smaller firms, many of whom have gone out of business.

Significant unemployment or underemployment within the industry was intended by Congress to be analyzed by the International Trade Commission; and, again, there was apparently no concern, or little concern, for unemployment and underemployment.

So I think that the two basic issues that are before us today are, first, was the ITC right—right in its interpretation of the law, and right in its analysis of the facts? Maybe they can make the case. Maybe somebody can come forward today and make the case that they were right. It stretches my imagination that that could be done, but maybe some person with a very fertile mind can stretch us to the furthest reaches of the human imagination and persuade us that in analysis of facts and interpretation of law the ITC was right in this case.

If that is true, then I think we move to the second stage of our considerations, and that is: If this is the way the law is written, then is the law right? Does the law truly describe what the intent of Congress is with respect to 201 relief?

I am looking into the possibility now, in fact more than that, anticipating in the very near future the introduction of a bill with regard to section 201 to further clarify what Congress does mean.

Under the early-bird rule, I think that Senator Mitchell is next here today. Senator Mitchell?

STATEMENT OF HON. GEORGE J. MITCHELL, U.S. SENATOR FROM THE STATE OF MAINE

Senator MITCHELL. Thank you, Mr. Chairman.

As you have noted, the subject of this morning's hearing is import relief for the domestic shoe industry. I regret very much that this hearing is necessary, but the rejection by the International Trade Commission of the shoe industry's petition for import relief forces us to examine alternative means of obtaining import limits.

I was shocked and disappointed, as I know you were and many others of us in the Senate were, by the ITC's failure to find that the domestic shoe industry is seriously injured by imports.

Since the Orderly Marketing Agreements expired in 1981, the industry has experienced a dramatic surge in imports, declining pro-

duction, and increasing unemployment. Apparently the ITC concluded that the industry is not being hurt by imports because some domestic producers have maintained profitability, even though that was largely accomplished by closing plants, laying off workers, and replacing the lost domestic production with imported shoes.

Before I entered the Senate I had the privilege of serving as a Federal judge. In my experience I have not ever seen a case where a judicial or a quasi-judicial body rendered a decision more at variance with the evidence in the case. By their decision, the members of the ITC have demonstrated a flagrant disregard for the law in ignoring the clear intent of Congress and a gross insensitivity to the plight of thousands of American shoe workers. Evidently, to the ITC, injury does not include American workers. This is not my concept of how we should deal with the effects of international competition.

The ITC's notion completely ignores thousands of unemployed footwear workers, many of whom either live in areas that offer few alternatives or lack the necessary skills to be considered for openings that do exist.

The consequences of the ITC's decision are easy to predict and indeed have already commenced.

I would like to include, Mr. Chairman, in the hearing record an article that appeared recently in the New York Times. It tells of a shoe factory in New Hampshire that will be closing in just a few days, on July 1. The announcement came just 2 days after the ITC vote, and the president of the company said that the closing action is a direct result of the Commission's decision. Two hundred and fifty American workers will lose their jobs.

That company is not alone. Many other shoe companies are now assessing their future, the future especially of their domestic operations, in light of the substantial profit they can earn by importing. Undoubtedly we will witness now more plant closings, more Americans unemployed, and an accelerated shift to offshore production.

The issue of shoe imports limits does not end with the ITC decision. The Constitution gives Congress the authority to regulate foreign commerce, so Congress should make the ultimate decision on import restraints on foreign-made footwear.

Our options are limited. The most effective solution, I believe, is to legislate the quotas sought by the industry. This is the approach taken by S. 2731, which was sponsored by Senator Cohen, myself, and other Senators. The swift passage of this bill will provide the most reliable and most effective means of preserving the American footwear industry.

I recognize, however, as we all do, the difficulties in securing passage of this bill, and thus we must explore other possibilities. Along these lines, amendments to section 201 of the Trade Act of 1974—as you, Mr. Chairman, have indicated—should be considered. If Congress determines that the shoe industry is deserving of import relief, section 201 should be adjusted to reflect the industry's situation.

I look forward to hearing the testimony of the witnesses regarding the most appropriate course of action. Whatever route we choose, I hope this committee will act promptly. It is of critical importance that we send a message to U.S. footwear producers and

the many thousands of American workers that Congress is indeed concerned about their future.

Thank you, Mr. Chairman.

Senator DANFORTH. Senator Heinz?

Senator HEINZ. Mr. Chairman, first I ask unanimous consent that my prepared statement be a part of the record.

Mr. Chairman, I want to commend you for holding these hearings on the ITC decision regarding footwear injury. You have mentioned the numerous factors that led to this decision—the dramatic growth in imports, the rising trend in underemployment in the industry, how the Commission appears to have concentrated only on the most recent statistics, the relatively small sample that the ITC used in determining production and capacity, some of the other measures that the ITC used, looking only at the survivors and not the fallen in this combat with imports.

I would just make two observations. The finding that an industry with 70-percent import penetration is not injured reminds me a little bit of saying that somebody who has been run over by a truck and has lost both legs, has been injured. But if he's been killed and is dead, he is not. And that seems to be the legal theory on which the ITC is working here.

The ITC has two missions: One is to find out when serious injury, by reason of imports, exists. In this case it has clearly failed, at least in my judgment, to do so. Its second job, if and when it finds injury, is to recommend relief sufficient to eliminate the injury. Now, that's not an issue in the hearing today, but I do worry that the ITC is not only failing totally to come to grips with its first mission, but we are going to have an example in the next 3 or 4 weeks as to whether it is going to fail in its second mission as well, and I am referring to the test that they are going to be put to in recommending relief for the steel industry.

Mr. Chairman, it is very easy for the Commission, notwithstanding the direction Congress has given it, to recommend relief that simply doesn't do the job. So it may very well be that, in addition to the legislation that you have mentioned which would set the ground rules much more strictly and much more carefully as to the means by which the ITC would go about finding injury, we may also need in such legislation a much clearer, much more specific, much less flexible set of directions to the ITC on how they go about remedying injury once they find it.

That is the message that I am sending today—not so much to our witnesses, but to the ITC, if it wants to get Congress upset.

The Commission has embarked on step one of two possible steps that may precipitate a total overhaul of section 201 and will give the commissioners who sit down there a considerable amount of redirection, whether or not they like it.

I commend you, Mr. Chairman, for what you intend to do, and we intend to work with you as you do it.

Senator DANFORTH. Thank you, Senator Heinz.

Senator Cohen, as the chairman of the Footwear Caucus in the Senate, has been one of the most active and maybe the most active Member of the Senate in this area. Senator, welcome back.

STATEMENT BY HON. WILLIAM S. COHEN, U.S. SENATOR FROM THE STATE OF MAINE

Senator COHEN. Thank you very much, Mr. Chairman.

I am not, perhaps, only the most active but maybe the most——

Senator DANFORTH. Irate?

Senator COHEN. I was going to say "irate, frustrated, angry."

Senator Mitchell as well as you, Mr. Chairman, summarized the nature of the frustration that many of us who represent States who produce shoes, feel, as you know, Senator Mitchell, I, you, Senator Heinz, and others appeared before the ITC, and made what I thought was one of the most persuasive cases that could ever be made before any so-called independent or quasi-independent body in this city. The facts were indisputable, incontrovertable. They led to only one conclusion.

I think that every single one of us assumed, because we had played such a role in the shaping of the legislation in the first place, that the conclusion was inevitable that injury had in fact occurred.

So I was shocked, Mr. Chairman. I think you and I had a conversation in which you asked what relief might be forthcoming, and I said that I thought impeachment might be an appropriate subject matter to discuss—[laughter]—because I really did believe that there has been a total abdication of responsibility that is assigned to the members of that independent commission. I said it in jest, but only half in jest, I must say.

Senator DANFORTH. You weren't smiling when you said it.

Senator COHEN. No, I wasn't smiling.

In my judgment, it defies all logic and experience. For the Commission to conclude that no injury has occurred ignores history—it ignores it since 1968, when tariffs were lowered, and imports have increased some 232 percent. In 1983 imports accounted for 64 percent of the market. Today they account for over 70 percent, and the beef goes on as far as the loss of jobs in this country.

Senator Mitchell touched upon the foreboding that we all fear about more plants closing. I will share with you a letter I received on June 15 from the Eastman Shoe Manufacturing Co., a corporation in Maine. They asked me to make it public at this time:

"Just a note to let you know how disappointed we all are in the decision recently made by the International Trade Commission. Naturally, we at Eastman do not plan to roll over and die"—and then they go on to explain—"however, due to the loss of a great deal of our boat shoe business, one of our leading shoes, we will be forced to close down our Lewiston cutting and stitching room. We will have all we can do to support our Fryburg and Freeport factories." There are another 50 jobs that will be lost in the very near future.

I will submit that letter for the record.

[The letter follows:]

N
W Eastland
SHOE MFG. CORP.
S FREEPORT, MAINE 04032

(207) 865-6314
(207) 865-6315
(207) 865-6316

JUN 19 1984

June 15, 1984

The Hon. William S. Cohen
United States Senate
Washington, D. C.

Dear Bill:

Just a note to let you know how disappointed we all are in the decision recently made by the International Trade Commission. Naturally we at Eastland do not plan to roll over and die.

However, the effect of this ruling certainly will be felt. I am sorry to say that some of our large make-up accounts gave a good portion of our Boat Shoe business to our foreign competitors so that they would be able to make bigger mark ups and maintain better prices. In checking the bottom line of some of these large chain store retailers, we ask ourselves a question--"Was it need or greed?" These are the same retailers who sold the International Trade Commission the idea that without imports the general public would be the victims of having to pay exorbitant prices for domestic shoes.

Due to the loss of a great deal of our Boat Shoe business, one of our leading shoes, we will be forced to close our Lewiston Cutting and Stitching room. We will have all we can do to support our Fryeburg and Freeport factories. This is very confidential to you and very upsetting to me. As I said in the beginning, we will continue to battle and we will survive. But, when I hear that one of the reasons the International Trade Commission turned down the shoe industry's case due to the fact that the industry's profits were good over the last few years, I wonder how much experience these people have had.

True we are proud that we have had a few good years, but we are pretty worried about this coming year. Our backlog of orders is running way behind last year's due to the fact that many orders have been placed off-shore.

If there is anything that I can personally do, please do not hesitate to call me.

Kindest personal regards and thank you for your continued interest in our industry's behalf.

Very truly yours,

EASTLAND SHOE MFG. CORP.

Jonas B. Klein

Senator COHEN. We have lost over 2,000 jobs in the State of Maine just in 1981. And I find it somewhat ironic that the ITC back in 1981 unanimously ruled that the shoe industry was entitled to relief—unanimously ruled that just 3 years ago. And I think the facts are overwhelming that the shoe industry today is in infinitely worse condition in 1984 than it was in 1981, in its totality.

I can only come to the conclusion that the ITC Commission itself has had an ideological change. The facts have not changed, the law has not changed, so it seems to me that the ideological composition of the Commission itself has changed.

Mr. Chairman, I listened to you and your powerful statement. We have two proud Maine people in the audience here today who are going to testify before you—Jeanne Hebert and Diane Walker—two ladies who have lost their jobs in Maine and who represent a number of men and women in the State of Maine who have lost their jobs. They were responsible for helping organize the rally in Maine recently to try and demonstrate the plight of people who have lost their jobs.

And I hope that some of the Commissioners—to the extent that they are here today, which I doubt—or at least their staffs who will be here—will listen to the kind of pain these women have experienced and what they reflect in the way of other pain experienced in Maine and, I suggest, throughout the shoe-producing States of this country.

Mr. Chairman, I share with you the absolute amazement that the ITC could come to the conclusion that because some companies within the shoe manufacturing business made a profit, therefore there was no injury.

Now, Senator Mitchell has pointed out that all you have to do is start laying off workers, which we have done by the thousands in this country, all you have to do is to start shifting some of those jobs offshore to take advantage of the 88 cents-an-hour pay scale that these countries enjoy, to start making a profit. We are forcing our domestic manufacturers to go abroad. And for the ITC to now in part cite the very shipment of those jobs overseas as a reason for our current difficulties seems to me puts us in a classic Catch-22 position—they are forced to go offshore because they are being flooded with shoes from other countries; then when they do go offshore, that is then cited as the reason why they are not entitled to relief.

I can only say to you, Mr. Chairman and the other members of this committee, in response to the decision made by the ITC, I would quote from Oliver Twist, where it is said: "If the law supposes that, Mr. Bumble, the law is an ass, an idiot." And it seems to me that is exactly what the ITC has done. It has rendered the law an ass or an idiot in its analysis. Perhaps it is ironic that one should have to quote from Charles Dickens to make that point in light of the kind of pain and anxiety that the workers of this country have had to endure. And that suffering has gone really unnoticed or at least uncared for by the members of the Commission.

I want to make a further point. I mentioned before that there seems to be some sort of an ideological shift going on within the ITC itself. There is an item in yesterday's Wall Street Journal entitled "Fashioning an Industrial Relief Act," written by a Mr. Tom

Wasinger, who happens to be the legal counsel and adviser to the ITC Commissioner Seeley Lodwick. And I think it is important that all of the members of this committee read this, because it reflects what is taking place in the ITC; the ITC is no longer a fact-finding Commission, it now a policymaking body.

It seems to me the role of Congress is supp sed to be that of policymaking, and not the ITC. Theirs was to be a factual determination under the law as to whether injury had in fact occurred. And if you read this particular measure, the writer of this item bemoans the fact that relief was granted in the steel case petition, that relief was granted in the copper petition, and that this somehow is opening the doors to a rather tragic future for our trade policy. So, with that kind of analysis going on, I think it is clear tha they are no longer engaged in factual determination, but rather seeking a philosophical or policy conclusion, then shaping the evidence to conform to a predetermined conclusion. That is something that is a concern to me and I hope an alarm to the Members of the U.S. Senate.

Mr. Chairman, I will submit my statement for the record but let me just say that I have come to two conclusions:

No. 1, that we have to act very swiftly if we are going to save this industry from what I believe to be an inevitable fate; that is the total death of the domestic footwear producing industry. We've got to take action.

Senator Mitchell and I have introduced a bill which would cali for import restrictions, the quota system called for by the industry itself. That is only one proposal. There are several others, including the chairman's, the reworking of section 201.

The second conclusion I would draw is that our trade laws are not working as Congress intended. If we can't demonstrate a classic case of injury under 201, then either we are faced with one of two decisions: We either have to change the members of the Commission and remove them, which we cannot do, or we have to change the law. So we are faced with that second conclusion at this point.

I think the legislation will have to be amended first to make clear that the ITC must consider increases in imports by domestic producers as a factor in finding serious injury or the threat of serious injury; and, second, to make clear that the aggregate profitability of an industry alone does not preclude the ITC from finding injury when the production and employment criteria of the statute are met.

I am not even encouraged that a change of the law will satisfy the ITC, no matter what we do, because, based upon their performance to date, based upon the kind of analysis that is evident in today's Wall Street Journal, it seems to me we could amend the law, we could mandate certain conclusions, and that they would choose free to disregard that for philosophical or ideological reasons.

But I don't think we have many choices right now, as Senator Mitchell has said. There aren't many options available. This may be the only one open to us at this time.

I want to thank you, Mr. Chairman. You and I, Senator Heinz, and others have not been successful in the past, when we went to the President back in 1981 and begged and pleaded with him to

provide some measure of relief. We were turned down. Then 3 years later, the very prediction that we made at that time has come true—the shoe industry is in a far worse position as the result of the relief not being granted in 1981.

And now, in 1984, the ITC having been reconstituted has come to a unanimous conclusion that the footwear industry is not entitled to relief in any event.

I think that we have limited options, and I would hope that we would present as strong a case to the U.S. Senate, and indeed the House—we have over a hundred members of the shoe caucus—and take that to the President and say we want relief. We want relief for the people who are going to be testifying here today, and to take their causes and their concerns into consideration.

Thank you very much.

I would ask if I could also submit a letter from L.L. Bean, with their reaction to the ITC decision. I think perhaps it will help elucidate on the subject even further.

Senator DANFORTH. Of course. Thank you, Senator Cohen.

[Senator Cohen's prepared testimony and the letter from L.L. Bean follow:]

Statement of

SENATOR WILLIAM S. COHEN

before the

Subcommittee on International Trade

June 22, 1984

Mr. Chairman and members of the Subcommittee, once again I come before you as Chairman of the Senate Footwear Caucus to plea for relief on behalf of the domestic footwear industry. Less than one month ago, this Subcommittee heard ample testimony on the problems facing this industry. The statistics that were recited at that time, such as massive import penetration levels, high unemployment and extensive plant closings present, in my view, the classic case of an industry that is unable to survive the onslaught of foreign imports. It is a perfect example of the type of case that should prevail under our trade laws. Despite this clear showing of injury by reason of imports, the International Trade Commission denied the footwear industry's petition for relief under section 201 of the Trade Act of 1974.

It is hard for me to exercise restraint in commenting upon the rationale offered by the ITC in its decision. The initial statements of the commissioners indicate that the

ITC has ignored the true condition of the domestic footwear industry. First, the Commission's decision that no injury has occurred underestimates the massive surge of imports that has flooded the domestic market. Since 1968, when tariffs were lowered, imports have increased by 232 per cent. In 1983, they accounted for 64 per cent of the U.S. market and over six per cent of the entire U.S. trade deficit. Today, imported footwear comprises over 70 per cent of the entire retail market. This import penetration level is well over twice the import levels in the steel and copper industries, which were both granted relief by the ITC last week.

These high import levels have had a crippling effect on the U.S. industry and its labor force. Unemployment in the industry now exceeds 18 per cent, double the national average. In 1982, 41,000 American shoe workers were unemployed due to factory closings. Already, in 1984, approximately 20 more factories have been closed. In my own state of Maine -- the largest footwear manufacturing state in the nation -- nearly 2,000 jobs have been lost since 1981, when the orderly marketing agreements were terminated. Later this morning you will hear from ~~Jean~~ Jeanne Hebert and Diane Walker, representing the Shoeworkers of Maine, who will describe to you first-hand the desperation and frustration felt by the shoe workers who have been laid off in my state.

Just this week, I received word from another Maine shoe manufacturer that it will be closing part of its facilities, putting over 50 more people out of work.

And yet, the ITC ruled that imports are not seriously injuring this industry. I invite the ITC commissioners to come to Maine and explain to the unemployed shoe workers, especially to those workers in rural areas with no other source of employment, that the footwear industry is not hurting due to imports.

The commissioners' statement that no injury exists because some of the shoe companies are making a profit is equally astounding. This ignores the fact that profit margins have been limited to only the larger companies. The majority of firms comprising the domestic industry, however, are small firms that have been hit hard by imports. Also, Mr. Chairman, I want to point out that simply making a profit does not mean that the entire industry is not being injured. Simply start laying off workers and shutting down factories and it is easy to make a profit. Move your operations off shore to countries where the production costs are lower and you can certainly make a profit that way. The simple fact is that the industry has had to resort to these profit-making techniques due to massive, uncontrolled imports. Only the survivors in this ravaged industry have turned a profit -- and the number of survivors is dropping fast.

Mr. Chairman, the ITC ruling brings me to two inescapable conclusions. First, the Congress must act swiftly to save this important industry from further decline before there is no domestic footwear industry left. To bring about such relief, I, along with Senator Mitchell and several of my colleagues have introduced the American Footwear Act of 1984.

This bill would restrict imports of nonrubber footwear into the United States to 400 million pairs per year. The Secretary of the Commerce is directed to allocate the global product limitations among foreign countries, taking into consideration such factors as the country's average level of imports in past years, findings of unfair trade practices with respect to nonrubber footwear, and recent market trends.

This legislation presents a moderate, yet crucial response to the footwear problem. The global quota established by the bill would allow importers to retain approximately 50 per cent of the retail market. This is not protectionism; rather, it allows American workers to keep only half of the entire market -- much less than is now enjoyed in other major industries.

The second conclusion I must draw from the decision is that our trade laws are not working as the Congress intended. If a classic case of injury by reason of imports cannot pass

muster under our trade laws, then the ITC is either misinterpreting the law or the current law must be clarified. It is my firm belief that this case should have won under the current section 201 of the Trade Act of 1974. In order to avoid another case of the ITC turning the rule of law on its head, however, the Congress should amend the section 201 process so that relief will be granted in meritorious cases such as this.

Such legislation should clarify the law in several areas. First, section 201 should be amended to make clear that the ITC must consider increases in imports by domestic producers as a factor in finding serious injury or the threat of serious injury. Second, section 201 should make clear that the aggregate profitability of an industry alone does not preclude the ITC from finding injury when the production and employment criteria of the statute have been met. Third, the law should clearly state that the loss of market share by the domestic industry and an upward trend of imports are indicative of serious injury or the threat of serious injury. These and other changes to section 201 are necessary to ensure that industries can obtain necessary import relief.

I appreciate your strong commitment to the shoe industry, Mr. Chairman, and I look forward to working with you and the Subcommittee in providing relief to this devastated industry.

L.L.Bean INC.
FREEPORT, MAINE 04033
Outdoor Sporting Specialties

MERTON A. GREENLEAF
Director, Manufacturing

TEL. (207) 865-4761

JUN 1 1984

June 13, 1984

Honorable William S. Cohen
U. S. Senate
Washington, D.C. 20510

Dear Senator Cohen:

The purpose of this letter is to express my concern about the I.T.C.'s recent decision pertaining to imported footwear, and to respectfully request your continued support for Maine's footwear manufacturing industry.

The I.T.C. obviously ignored the plight of the industry while considering the Section 201 petition, and considered only the profits of the relatively few remaining footwear companies. Their apparent confusion and lack of concern may partially stem from the fact that there are two "footwear industries"---one that buys and sells footwear, and one that manufactures and sells footwear. Unfortunately, the lack of import quotas is forcing many 'Manufacturers' to foreign source (rather than to domestically produce) their footwear in an effort to price competitively and maintain their market shares.

There is no doubt that the footwear companies engaged in foreign sourcing are enjoying higher gross margins based on lower manufacturing costs, and enhancing their profits. I have always believed that the worse crime manufacturers could commit to their workforces is to fail to operate profitably. However, my life-long beliefs are being shaken, and it is very demoralizing to see the Maine Footwear industry in the unfortunate position of having to sacrifice the livelihoods of many of our fellow Maine citizens to remain profitable. It seems that domestic employment is being sacrificed to so-called 'free trade' that does not even come close to being 'fair trade'.

Overall, the Maine footwear industry is not backwards, unsophisticated, or operating in the dark ages---it is just labor intensive (necessarily) and employs a lot of people. Even though our labor costs are low compared to American industry in general, we still cannot compete with starvation wages paid to our competition in foreign countries; not to mention quotas,

tariffs and embargos barring footwear imports in the countries of our competitors. We do not have to worry about retaliation and foreign trade barriers, because they are already in place!

The problem is actually much larger than the 'footwear industry', and the overall issue is whether or not we, as a society, are willing to sacrifice our labor intensive industries that provide meaningful employment to millions of our fellow Americans. Our economy cannot survive with only relatively few people engaged in buying and selling foreign made products at the expense of tax-paying, labor intensive industry. Import quotas designed to protect the jobs of Americans is not 'protectionism'--- it's just good common sense.

If informed, it seems that most Americans would be willing to pay a few more dollars for American made products than to pay more taxes to support the unemployed.

As one of the few citizens of the State of Maine in a position to influence the Administration, as well as the public, your support is needed for the very survival of the Manufacturing industries (including footwear) that produce goods, provide employment, and remain the cornerstone of a healthy economy.

Sincerely yours,
L. L. BEAN, INC.

Merton A. Greenleaf
Director of Manufacturing

MAG/bfg

cc: Senator George Mitchell
Representative John McKernan, Jr.
Representative Olympia Snowe

Senator DANFORTH. Senator Mitchell?

Senator MITCHELL. I have no questions, Mr. Chairman.

I commend Senator Cohen on his statement and for the efforts that he has been making on behalf of the domestic shoe industry.

Senator DANFORTH. Senator Heinz?

Senator HEINZ. No questions, Mr. Chairman.

Senator DANFORTH. Senator Cohen, thank you very much.

The next witness is Senator Kasten.

We are delighted to have the Senator from Wisconsin with us this morning.

STATEMENT BY HON. BOB KASTEN, U.S. SENATOR FROM THE STATE OF WISCONSIN

Senator KASTEN. Mr. Chairman, first of all, thank you for your speedy consideration of the legislation before us today.

On June 6 when the International Trade Commission ruled that footwear imports were not hurting our domestic footwear industry, I was frankly shocked. If ever there was a classic example of imports decimating an industry, of a situation tailor made for an ITC finding of injury, this was it.

I think that your statements, Mr. Chairman, and the statements of the Senators from Maine and others, clearly indicate that we have a serious problem here.

What the ITC said, in effect, was that the loss of the domestic footware factories, and the loss of jobs in the footwear industry, were little more than a kind of shake-out of inefficient manufacturers. The remaining shoe manufacturers, according to the ITC, are economically healthy.

I reject that assessment. The tens of thousands of people who have lost their jobs because of unrestricted shoe imports were not lazy workers making shoddy products; they were instead hard-working Americans whose efforts produced shoes that became, frankly, the envy of the world.

When in just a few years an industry loses half its factories, half its work force, and all but 30 percent of its domestic market, we are not talking about minor adjustments in a changing industry. We are talking about a major disaster.

We know what caused this calamity. The quality of American shoes did not suddenly decline. The American footwear industry did not suddenly lose its competitive drive. What did change, as anyone who walks into a shoe store can clearly tell, is the volume of cheap footwear imports. They have gone sky high in the past decade.

I need not recite, though, the statistics. We have all seen the tallies representing the closed shoe plants, the laid-off employees, the increases in shoe imports. But let me remind you what these dry statistics represent: They represent the sure and certain strangulation of an entire industry. And this goes beyond simply the footwear industries to the tanneries and the other shoe-related industries. They represent the permanent dislocation of a work force that already for the most part lives in areas of high unemployment. And worst of all, they represent a gaping hole in the trade laws that supposedly protect us from illegal trade practices.

Yet, what was the ITC's reaction to the case presented by the footwear industry? The ITC reacted with appalling indifference. It ignored the obvious harm that imports have done and are doing to the domestic footwear manufacturers. The ITC simply threw out the case.

The ITC's statement that there is no problem doesn't solve the matter; it only makes it worse. It leaves the impression among those unfamiliar with the industry that the footwear manufacturers were simply crying "wolf" and that the problem doesn't need to be addressed right away. Nothing could be further from the truth. If Congress does not act and act now, there won't be a footwear industry left to save, as the Senator from Maine so aptly pointed out.

That is why I am a cosponsor of S. 2731, a bill that I consider to be the last and the best hope for a strong shoe manufacturing industry in this country. It would set a reasonable limit on the amount of footwear imports and yet allow the American industry time and breathing room to recover.

Mr. Chairman, I urge this subcommittee to act on this legislation quickly, and I urge the rest of my Senate colleagues to also approve this legislation. We find ourselves in an emergency situation, and I hope that the Congress will in fact act before it is too late.

Thank you very much for the opportunity to appear before you.

Senator DANFORTH. Senator Kasten, thank you very much.

Senator Mitchell?

Senator MITCHELL. I have no questions. Thank you very much, Senator.

Senator DANFORTH. Senator Kasten, we thank you for your testimony. I think the committee is very sympathetic to the point of view you just described.

Senator KASTEN. I sense the committee is sympathetic; we just have to act quickly. Thank you.

Senator MITCHELL. Mr. Chairman, Senator Sasser had wanted to be here but is unable to because of other commitments, and he asks that a statement of his be included in the record. I ask that that be done.

Senator DANFORTH. Without objection, so ordered.

Our next witness is Michael J. Calhoun.

Mr. Calhoun, would you come forward?

STATEMENT BY MICHAEL J. CALHOUN, ESQ., FINLEY, KUMBLE, WAGNER, HEINE, UNDERBERG, MANLEY & CASEY, WASHINGTON, DC

Mr. CALHOUN. Good morning, Mr. Chairman, and the subcommittee. I am Michael Calhoun of the Washington office of Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey. I hope reciting the name of the law firm doesn't take away from the time that I have to talk to you.

I practice international trade law, and before joining the firm I had my own trade practice in lobbying and consulting, and prior to that I was Vice Chairman of the International Trade Commission. Also, before that I was minority counsel for International Trade with the House Ways and Means Committee.

I am pleased to be here today at your invitation to address one of the few matters about which I have some knowledge. Whether my knowledge on international trade matters, however, actually amounts to anything is quite another subject; nevertheless, it is one of the few things that I feel I know something about.

In particular, you have asked me to address an issue that is of concern to you as the result of the recent decision by the International Trade Commission, and that is how decisions are actually rendered at the Trade Commission.

I have submitted to you in advance a rather brief statement addressing what I consider to be the essential elements of decisionmaking at the Commission, and I will not take up the committee's time by reading that statement to you. I would, however, like to highlight some of the more important features.

However, there are a couple of disclaimers that I feel I have to make. One of them is that an essential character of decisionmaking at the ITC is its independent and individual nature. Decisionmaking at the Commission is not a corporate undertaking; Commissioners are in fact prohibited by law to confer with one another to the extent that conferring takes place among a majority or more of the members of the Commission. Consequently, any views I might have about decisionmaking at the Commission are really those of one individual who participated for a limited amount of time in that process as an independent operative.

Second, and I think probably of considerable importance, is the fact that the information base upon which the Commission makes its decisions is highly particularized and highly unique; that is to say, the Commission undertakes its own investigation and factfinding, because information that is publicly available to the Commission on any industry is generalized information. The Commission, by reasons of the dictates of the statute, is required to consider fairly well-defined, fairly narrowly determined information as well as industry composition. And consequently, in making decisions about an industry, it must develop its own data base to coincide with the statutory requirements and the composition of the industry under investigation. That is to say, therefore, by way of caveat, that second-guessing Commission opinions is a very, very difficult thing to do, and I certainly do not want to be in the position, or certainly to be seen, as second-guessing the decisionmaking processes at the Commission, because I have not been involved in any case other than those I was involved in at the Commission, and therefore I have not been exposed to the confidential and particularized information that was available to the Commission.

The final caveat I might share with you is that I think it is only fair to say that I was one of the three majority members of the Commission that voted that American automobiles were not adversely impacted by imports, and consequently you may want to dismiss me from the panel right now for those views.

There are four basic areas in which the Commission must explore the data base to reach a determination of 201 cases:

First of all, imports must be increasing. The Commission has had a tendency to interpret this requirement to mean increase, both relatively and absolutely. And in reviewing the statute I am not

entirely sure that is accurate, although it was the position I took at the time at the Commission, and I think it is perhaps not factual.

I raise that to make one very important point about the decisionmaking at the Commission. The Commission is under considerable pressure, workload-wise, resources-wise in terms of attracting capable staff people and keeping them. The Commission labors under substantial limitations because of budget restraints. And as a result, there is a tradition at the Commission to follow decisionmaking patterns because it tends to be efficient, the interpretation of statutes tend to go on for years and years, and there is rarely the kind of reflection that I think is necessary for innovative and responsive decisionmaking. That is the problem that I think underlies much of the decisionmaking problems at the Commission, and it is certainly worthy of this committee's investigation.

Senator, you yourself have submitted a bill on 201 that I have had a chance to discuss with your staff in great detail, and I think it moves in the direction that is very useful for more productive and effective decisionmaking at the Commission.

My time is up.

Senator HEINZ. You are referring to S. 849?

Mr. CALHOUN. Yes, I am.

[Mr. Calhoun's prepared testimony follows:]

STATEMENT BY MICHAEL J. CALHOUN
BEFORE THE SENATE FINANCE COMMITTEE

JUNE 22, 1984

Mr. Chairman, members of the Committee, I am Michael J. Calhoun with the Washington office of Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey, where I practice in international trade law. Before joining this firm, I had my own international trade practice and also consulted on international economic matters with Harald Malmgren. Before entering private practice, I was Vice Chairman of the U.S. International Trade Commission and before that I was Minority International Trade Counsel with the House Ways and Means Committee.

I am pleased to be here today, at your invitation, to address one of the few matters about which I have some knowledge. Whether my knowledge of U.S. international trade law actually amounts to anything is quite another subject, nevertheless, U.S. trade law is one of the only things I can claim to know anything about.

In particular, I have been asked to share with you, this morning, my views on how determinations are reached by the U.S.I.T.C. under section 201 of the Trade Act of 1974. Before doing this, however, I should make some very important disclaimers.

First, what I have to say is the singular and personal opinion of one former ITC Commissioner. Decisionmaking at the ITC is not a corporate enterprise. Each Commissioner reaches his or her own decisions privately, based on his or her own analysis of the statutory standards, the facts of the case at issue, and how fact and law interact in the case. Thus, no one person can characterize, with complete accuracy, how Commissioners reach a determination under a particular statute in a particular case.

Second, ITC decisionmaking is typically based on information exclusively available to Commissioners and staff and, thus, is not easily susceptible to second guessing. ITC decisionmaking rarely relies on data available from public sources. Information relevant to ITC investigations must conform to numerous requirements, including statutory criteria, common reference periods, common definitions, and specifically defined industry composition. Information gathering is by confidential questionnaire which solicits the specific information, in the specific format, from the particular sources considered relevant by the Commission. Additional information also comes through the hearing process. Thus, from its highly particularized data gathering, the ITC has quantitative and qualitative information on domestic industries that is more refined and current than is available anywhere else.

A third disclaimer is that two years have passed since I was on the Commission. I must assume, therefore, that much has changed which may affect what I have to say. In that time, two Commissioners have left and three Commissioners have been added. As well, the Commission caseload, already at historically high levels during my time, has grown substantially. Furthermore, the physical conditions under which the ITC must work have slipped from the embarrassing to the deplorable.

As a final matter, Mr. Chairman, you should know that I was in the majority in the ITC decision that imports were not a substantial cause of serious injury to the domestic automobile industry. This fact alone may inspire you to dismiss me now without any further testimony.

With these disclaimers, Mr. Chairman, I will briefly review what experience has taught me about decisionmaking at the ITC in section 201 investigations. I intend this only as a quick survey, as I suspect there may be some questions.

As you know, section 201 investigations are divided into the injury and remedy phases. In the injury phase, the Commission determines whether

a) increased quantities of imports

b) are a substantial cause

c) of serious injury, or threat thereof

d) to the domestic industry producing an article like or directly competitive with the imported article

In the remedy phase, the Commission finds

a) the amount of the increase in, or imposition of, any duty import restriction necessary to prevent or remedy such injury or

b) if adjustment assistance can remedy the injury, the Commission can recommend the provision of such assistance

Mr. Chairman, I will address only the injury phase in my prepared statement.

Increased Imports

The statute is surprisingly clear about the role imports must play in an affirmative determination. It requires that imports into the United States must be in such "increased quantities" as to have the requisite effect. "Increased quantities" means the quantity of imports must be higher at the time of the investigation than during some reference period.

Commission practice, of which I have been a part, has been and continues to be that this requirement allows for either a relative or absolute increase in imports to satisfy the "increased quantities" language. I now believe this practice to be in error. Statutory and legislative history reference to actual or relative increases in imports is plainly in the context of delineating the factors the Commission should consider in determining whether there is substantial cause.

I have mentioned this not as a kind of public penance, but to make a very important point about decisionmaking at the Commission. There is an institutional momentum to analysis at

the Commission that, most often, undertakes decisionmaking which is consistent with statutory language. On occasion, however, this institutional tradition compels decisionmaking which departs from the standards provided by statute. When such departures occur, it is because past patterns rather than current requirements tend to control the fact finding and, in turn, the substance of decisionmaking. Even when there is apparent consistency between the language of decisions and the language of the statute, the substance of decisionmaking can vary from the prescriptions of the law.

In my view, this momentum of past practice results from several factors:

- a long institutional tradition of decision-making based on very broad statutory grants of discretion and on a rather high degree of subjectivity in analyzing behavior in the marketplace,

- a laxity in responding to increasingly refined statutory precision in delineating analytical techniques and factors for consideration,

- an ever increasing workload that makes it difficult, if not impossible, to make close analysis of cases and to pay close attention to complex or unique market features which may be small matters but important aspects of a case to some parties,

- compensation scales that make it increasingly very difficult to attract or keep creative and insightful personnel,

- budget restrictions that sorely limit the resources with which the Commission can further develop skills of the staff and of Commissioners.

Substantial Cause

Causation, whether it is under the escape clause, dumping and countervailing duty, or other provisions, is one of the most elusive and least exposed aspects of Commission decisionmaking. In escape clause cases, finding causation is an especially difficult task. Section 201 requires the Commission to consider, among all other economic factors it considers relevant,

- an increase in imports (either actual or relative to domestic production) and
- a decline in the proportion of the domestic market supplied by domestic producers

The statute further circumscribes causality and complicates the analytical process by defining substantial cause as one which is important and not less important than any other cause. The legislative history makes clear that, as a practical matter, the Commission must perform several highly subjective tasks. It is to identify the various causes of serious injury, determine which of them are important and whether increased imports are an important cause, and decide whether other important causes of serious injury are more important than imports.

While the statutory prescription may be easy to describe, actually attempting the analytical process is, in many instances, little more than speculative. For example, in the Automobile case, a discrete cause found by some Commissioners to have been a more important cause of serious injury than

other causes was, to other Commissioners, not a single cause at all, but a bundle of causes none of which was more important than imports.

Furthermore, some Commissioners, over the years, have felt that important causes are those two or three causes having the most important impact. Others have argued that important causes must be individual causes of serious injury which, in their own right, are significant. Finally, some Commissioners have been satisfied to find causation simply when imports are significantly rising in a period when the domestic industry has been having a hard time.

Serious Injury

Reaching a conclusion on serious injury is nearly as subjective as finding substantial cause. Section 201 does require the Commission to consider, among all other factors it considers relevant,

- significant idling of productive facilities
- inability of a significant number of firms to operate at a reasonable level of profit
- significant unemployment or underemployment

But, these are factors to consider, not factors which are considered determinative. The Commission can find that other, unenumerated factors outweigh them in explaining what is occuring within an industry. Take for example, an industry undergoing significant transition. Where rapid technological innovation is characteristic, the idling of productive

facilities may indicate that what is occurring is the necessary substitution of old production methods for new ones. A decline in the number of profitable firms may be evidence of a structural change in the nature of the industry into one which is viable only at high levels of concentration. It could, as well, reflect a fundamental shift in demand patterns or reflect product obsolescence so that fewer firms are profitable, but those that are profitable are very profitable. In any event, the Commission's primary focus has been on the aggregate profitability and not on the distribution of profitability.

Finally, what constitutes unemployment or underemployment is not always clear, particularly in an industry experiencing important change. While current employment levels may be lower than historical patterns, they may be at levels which afford the industry its greatest efficiency given the market as it currently exists.

By affording Commissioners the authority to consider all relevant factors, Congress has invited the Commission to respond on a case by case basis. This is a wise provision because no two industries are the same, no industry remains the same over time, and decisionmaking ought not to be tied to inflexible standards.

But the result of broad discretion is apparent inconsistency. Thus, the pattern of decisions on the issue of serious injury do not always appear consistent. In these matters of discretion, consistency can only be tested in the

extent to which industries are held to the same analytical standards. So care must be taken in clearly formulating standards and in assuring that they are followed.

It is worth noting in this connection, however, that nowhere in the statute or in the legislative history is a standard provided for measuring "serious" injury. Commissioners have tended to be guided here, as well, by subjectivity. They rely on their own instinctive sense of how much injury is necessary to be considered serious.

Domestic Industry

With regard to defining the relevant industry, I am pleased to observe that the statute, the legislative history, and Commission decisions on industry definition have been, in my experience, rather clear and without substantial controversy.

The one noteworthy exception has been the statutory authority for treating as part of a domestic industry only the domestic production of producers who also import. The legislative history gives no guidance for exercising such discretionary authority. There is a tendency, however, not to use this provision as it is written. The Commission has tended to exclude entire companies from the domestic industry if that company is both a producer and an importer. The theory is that industries should not be able to claim injury based on its own actions. The problem is that this practice is not strictly consistent with what the statute provides.

One final comment as a general matter, Mr. Chairman, cutting across the whole of the Commission's decisionmaking in 201 cases is the matter of the appropriate reference period. In deciding on serious injury, increased imports or even industry composition, a key and often determining factor in the analysis is what period is to be considered for analysis.

The standard used by the Commission is that provided in the legislative history -- "the most recent representative period." In most cases, that period has been three to five years prior to the investigation. But, Commissioners are free to and consistently do, in fact, refer to whatever period meets their judgment of what is most relevant.

In conclusion, Mr. Chairman, I would say two things: Decisionmaking under section 201 is, as it must be, characterized by broad discretionary authority available to the Commission. But, experience suggests to me that clearer guidance could be given the Commission in using this authority. As well, the Commission could be more loyal to those prescriptions which are already provided for under existing law.

Senator HEINZ. Mr. Calhoun, first, welcome back to The Hill from whence you originally came.

Mr. CALHOUN. Yes. I wish it were under better circumstances.

Senator HEINZ. You may take it as an encouragement that you have not been dismissed from the witness table.

Mr. CALHOUN. I noticed that.

Senator HEINZ. Notwithstanding other decisions.

Mr. CALHOUN. I certainly didn't pause to allow you to do that, either.

Senator HEINZ. I can't speak for Senator Danforth on that subject. [Laughter.]

Your point on increased quantities of imports made the distinction between the Commission looking at them relatively and absolutely, and you thought that there was a mistake being made in looking at them both ways. What was the nature of that mistake?

Mr. CALHOUN. It is my view—and I raise this point not by way of criticism of the Commission, because there is certainly ample legal argument to support the view the Commission has taken on this issue. But I think it is a very good example of what I said is the fundamental problem, and that is this: Section 201 decisionmaking necessitates broad disretionary authority; because the nature of industries change, the nature of problems facing industries change. the agency making recommendations about remedy and investigating injury ought to have available to it broad discretion in analyzing the peculiarities of each circumstance that arises.

On the other hand, however, I think the Congress has the responsibility and certainly is required under our governmental system to provide guidance on the use and implementation of that discretionary authority.

It is my sense that the Commission has the tendency to be less attentive to prescriptions under the law, and more interested in the exercise of discretion. And there is a fine line between weighing the requirements of statutory provisions and using broad grants of discretion, and at any given time an agency may err on one side or the other.

I do not think the Commission has been glaring in the mistakes it has made in pursuing its discretionary authority above its statutory mandate, but I think there is tendency to be less attentive to the statutory language.

In the particular issue that you raise, the statute provides that the Commission shall investigate to determine whether imports are coming into the country in increased quantities. Later on in the statute it says, "in assessing whether there is substantial cause, the Commission shall determine whether imports are increasing absolutely or relatively.

What has happened is that the Commission has used those two provisions and come up with the conclusion that 201 requires an investigation when imports increase relatively or absolutely. And it is certainly a defendable position, but it is one one that I think is less defendable than asserting a position based upon the clear dictates of the language of the statute. And there are a number of other circumstances in which that occurs.

I think the remedy for that is for the Congress to perhaps explore the operation of 201 and other trade laws carefully and give clearer direction to the Commission.

Senator HEINZ. Let me ask you the basic question, which is: What is the primary purpose of section 201?

Mr. CALHOUN. Do you mean other than what the Congress intended?

Senator HEINZ. In one or two sentences, what is the basic purpose of 201?

Mr. CALHOUN. Historically, particularly under the 1974 Act but from the origin of 201 from a prior trade law, it is to provide relief to American producers that have, for various reasons, been inundated with imports in a way that prevents them from competing successfully. And I think there is an implicit notion in the statute that those industries which are capable of reordering themselves in a limited amount of time ought to employ tariff or quota or other protections to allow themselves to put their house in order, to become competitive again down the road.

Senator HEINZ. The four remedies usually cited pursuant to a finding of injury are tariffs, quotas, tariff rate quotas, or adjustment assistance.

Mr. CALHOUN. Yes.

Senator HEINZ. The latter is a very interesting option because it implies that you take care of the casualties but you don't try to continue to fight the war.

Does that not imply that the Congress intended that, when injury was being determined, we wanted a fairly straight reading of whether injury was taking place, and that indeed we wanted to know what was the best way to deal with pain and hurt in a domestic industry that affected U.S. employment?

Mr. CALHOUN. Senator, with the constituency that you have you are probably an expert on the fact that adjustment assistance simply has not worked under the 1974 Trade Act and probably even before that.

Senator HEINZ. Neither do tariffs in many cases, either. [Laughter.]

I don't know that the efficacy of the remedy has much to do with Congress' intent, and I would hate to go through all of the statutes that Congress has written in all of the areas where we have done one thing and had it work out another way.

Mr. CALHOUN. I take your point. That's right. And I made the observation simply to say that on the one hand you are absolutely correct in the intention of adjustment assistance and the implication of what that suggests about the intention of the law; 201 is a remedy statute, in essence. It is designed to assist American industries in regaining a competitive edge against imports, but only under very strictly defined circumstances in the terms of the statute. But the thrust is as you say, to provide reconditioning of the domestic industries.

Senator HEINZ. Let me ask you to put on your hat as a former commissioner, indeed the vice chairman, and ask you this simple question, then I will yield to Senator Mitchell.

Don't you think that—or do you think that an industry that has seen imports increase their market share from 51 percent to 64

percent in a 5-year period, that has in addition seen its domestic production decline by 15 percent in the same period and by more than 50 percent in the past 15 years, and that had an unemployment rate of 19 percent last year, warrants an affirmative finding of injury under section 201?

Mr. CALHOUN. When did I stop beating my wife? Is that what you mean? [Laughter.]

Senator HEINZ. That's for you to say. [Laughter.]

Mr. CALHOUN. Senator, the problem that anyone faces that has to offer aid within the terms of the statute is that the statute requires the Commission to observe certain factors, and it is a requirement in their assessment in determining injury; but also, it invites if not compels the Commission to consider any and all other relevant economic factors it thinks bears on the circumstances.

Now, if the only factors involved were those that you indicated, then I think fairly strongly that that would suggest to me that there might be injury to a domestic injury. It still reserves the question as to whether or not that injury is serious, and there is other data that is necessary to——

Senator HEINZ. Do you think that was serious injury?

Mr. CALHOUN. As my statement indicated, that is another area I think of some ambiguity that further instruction from the Congress could be useful. There is no definition in the statute or the legislative history on what constitutes serious injury as opposed to other levels of injury.

Senator HEINZ. Have you got any feeling about whether, according to your judgment, what I have just described is serious? Or is it less than serious?

Mr. CALHOUN. Senator, when you have those kinds of data, I think there is an instinctive response that there is serious injury taking place, without being coy with you at all.

Senator HEINZ. All right.

Senator Mitchell?

Senator MITCHELL. Thank you, Mr. Chairman.

Mr. Calhoun, do you agree that an important purpose of section 201 is to protect domestic production facilities in the United States employment?

Mr. CALHOUN. Senator, I don't think it is to protect American industries and employment. I think it is to provide American industries an opportunity to make themselves competitive with imports.

Section 201 does not attempt to remedy any harmful or any wrongful competition by imports. It is designed to provide an opportunity for American industry to put its house in order with respect to fair import competition.

Senator MITCHELL. Under section 201, as you know, the ITC is required to analyze whether a significant number of firms are enabled to operate at a reasonable level of profit. Those are the exact words of the statute, as you know. Does this language permit the ITC to rely solely on aggregate industrywide profitability data, or rather does it not require the Commission to look at the actual number of firms in an industry that are unable to meet that test, regardless of what percentage of production they account for?

Mr. CALHOUN. Senator, without question, the language of the statute is clear—it says that the Commission "shall consider" and

includes in a list the idling, the significant idling, of a productive facility, inability of a significant number of firms to operate at reasonable levels of profit, and significant underemployment. It compels the Commission to consider that information.

It does not, however, require that that information or that inspection shall be determinate.

On page 7 of my testimony I address almost precisely that issue, and if I could I would like to refer to that.

I enumerated these particular required criteria that the Commission must consider and then observed:

"But these are factors to consider and not factors which are considered determinative. The Commission can find that other, unenumerated factors outweight them in explaining what is occurring within an industry. Take for example an industry undergoing significant transition. Where rapid technological innovation is characteristic, the idling of productive facilities may indicate that what is occurring is the necessary substitution of old production methods for new ones. A decline in the number of profitable firms may be evidence of a structural change in the nature of the industry into one which is viable only at high levels of concentration. It could as well reflect a fundamental shift in demand patterns or reflect product obsolescence so that fewer firms are profitable, but those that are profitable are very profitable. In any event, the Commission's primary focus has been on the aggregate profitability and not on the distribution of profitability."

The notion there is that, while the Commission is required to make the assessment that you observed, the Commission is also charged, from the sense of 201, to look at the industry as it is today—where it is going, where it is likely to go—and make an assessment of whether the industry as a whole requires protection available under 201 or whether the industry as a whole is evolving into something that stands on its own.

Again, without having in mind what was going on in the footwear case, that is really probably the essence of decisionmaking at the Commission. It is invisible, it does not normally reveal itself or at least it doesn't reveal itself clearly enough in Commission opinions. It is not a matter of intense discussion among commissioners, because the law does not permit it. But it is the essence of decisionmaking at the Commission. It is highly subjective, it is highly intuitive, and it is a difficult process to undergo.

Senator MITCHELL. That leads me directly into my second question, and what you have just said and what you said earlier in your written statement I find to be very disturbing and posing a serious problem for the Congress in how to deal with this.

In addition to what you just said about the subjective invisible nature of decisionmaking, you said, in other words, on page 2 of your statement, that "ITC decisionmaking is typically based on information exclusively available to Commissioners and staff and, thus, is not easily susceptible to second guessing. ITC decisionmaking rarely relies on data available from public sources."

Now, my experience is in the judicial process where, of course, the entire process is structured with a contrary objective, and that is to have all standards publicly prescribed, to have decisions based

exclusively upon evidence in the public records, so that a decision can be easily evaluated in terms of its correctness.

When I was a judge and my decisions were appealed, the court of appeals understood that my decision was based upon publicly-defined criteria and based upon evidence in the public record, and on nothing else.

What you have indicated makes it clear that the decisions of the ITC simply can't be evaluated in terms of their correctness, and that it is entirely the subjective judgment—and one wouldn't want to use the perjorative term and say "the whim" of the commissioners—which I believe makes the process one that is fundamentally erroneous and antidemocratic, inconsistent with our traditions of what constitutes a proper method of granting power.

I would like to have you comment on that, and, more importantly, perhaps not now but if you would submit to this committee in writing any suggestions you have to correct that.

I think anybody in a democratic society who makes a decision must be subject to a process of accountability. And what we have here is a Commission that is subject to no accountability. Indeed, if you are correct, you can't even evaluate their decision because it is based upon data not available from public sources and based upon their subjective judgment.

Mr. CALHOUN. Senator, I would be happy to submit to you views on that. In fact, I do have several pieces of paper that I have written on this very subject.

Let me make a couple of observations.

One of the fundamental differences, one of the problems, in analogizing the Commission process to classic courtroom litigation, particularly in the 201 context, is that the 201 exercise by the Commission is fundamentally an advisory function for the President. It is ultimately the decision of the President to impose whatever remedy he chooses. And the Commission's role is advisory.

The only area within which it is not advisory to the Executive is on the question of whether or not serious injury has occurred. And that is to say that the President cannot impose any restriction on imports in the context of 201 unless the Commission decides there has been serious injury or that imports are causing substantial—are a substantial cause of serious injury.

At that point, whatever the Commission does after that is subject to the President accepting or not accepting or doing something totally different. So the only binding function of the Commission in 201 is this determination.

The review of that determination is questionable—that is, the court review of that determination is questionable. It is not—I have no knowledge of circumstances in which failure of the Commission to find injury has been litigated in the court for review.

In all other cases of the Commission's jurisdiction, the Commission decisions are subject to court review. Information the Commission used in reaching that decision is subject to review by the court.

My observation about the fact that the Commission uses information that is exclusively available to it is to distinguish a data base from one which can be compiled from using labor statistics information, or information from other Government or private agencies

that make aggregate assessments of industries, for whatever reason—be it for the Government for evaluation purposes, or for investment companies for purposes of advising stockholders on what investments to make. And the Commission cannot rely on that kind of information, because the kind of decisionmaking the Commission must make is prescribed by law; it is not whimsical in terms of what the Commission shall look at and shall not look at.

Senator MITCHELL. But you have just testified, Mr. Calhoun, in response to Senator Heinz's question, that there are criteria that are set forth in the law, but those are not exclusive or determinative upon the Commission.

Mr. CALHOUN. And the law imposes that on the Commission because the law implies that the Commission shall make discretionary judgments about what is occurring and what is not occurring.

But the point I would like to leave you with is that it is subject to review, court review. But to the extent the public, the newspapers, or public inquiries can go to the public record that is available, it is not always indicative of the kind of information the Commission has, because the Commission collects business confidential information that in my experience has proved to be exceedingly useful in making close decisions about the nature of an industry, and that business confidential information is by law not supposed to be made available to public sources.

Senator MITCHELL. Well, one of the problems, though, is that the Commission adopts at least the outward form of procedures that are intended to convey the appearance of objectivity. I mean, they borrow from the judicial process: they have formally established hearings; they sit up on a dais. The whole procedure is plainly intended to convey the impression of an objective, public process by which decisions are rendered based upon the evidence in the record.

Of course what you are saying is, that's the form but that's not the substance.

Mr. CALHOUN. Senator, if I can interrupt, if I have said that then let me restate what I have said. That in fact is the process. It has been my experience while on the Commission, it was my experience while a staff member of the House Ways and Means Committee, having oversight jurisdiction of the ITC, and it has been my experience since that time that in recent memory the Commission has been completely objective in its decisionmaking—objective meaning it has looked at the facts and has, as best it can determine, reached conclusions.

Subjectivity, however, enters the decisionmaking process, because there ambiguities, there is information that is elusive, there is information that is confidential, and ther are conclusions that one draws based upon intuitive senses that are not clearly prescribed based on the data available to you.

Again, it is my sense, and it has been the sense of most Commissioners that I am familiar with, that 201, as opposed to the other statutes that the Commission administers, 201 specifically invites the Commission to make those kinds of subjective determinations based upon the data base, as an advisory role to the Executive who ultimately makes the decision about what kind of relief ought to be made.

Senator MITCHELL. Well, in the interests of time I won't pursue this any further, Mr. Calhoun. I will only say that what happens often is that people get involved in a process and get lost in a sea of statistics and seize upon a particular factor, and lose that most uncommon of characteristics—common sense. And it seems to me that what we have here is a decision that is profoundly devoid of any common sense that the average layman has who understands the situation, and it defies logic for anyone to say that injury occurs when imports are at 41 percent, injury occurs when imports are at 51 percent; injury does not occur when imports are at 70 percent, and all of the other characteristics show decline as well.

Thank you very much, Mr. Calhoun.

Senator HEINZ. Senator Mitchell, thank you very much. Just one last question for Mr. Calhoun:

When you discuss in your testimony the question of substantial cause, a cause that is important and not less important than any other cause, regarding imports, as you think back to the automobile decision in which you participated, what cause of injury to the auto industry was more important than imports, in your own mind?

Mr. CALHOUN. Senator, I cannot tell you how many times I have relived that decision, and I can speak very quickly about it.

Senator HEINZ. I don't want you to relive it; we have other witnesses. I just want to know: Do you have any present recollection of what was more important?

Mr. CALHOUN. Yes. I said that to say that I do have a recollection that is glibly on the tip of my tongue. It was my view at the time and it continues to be my view, in the context of 201, that the cause that was more important than imports was a decline in demand, coupled with a shift in the character in demand expressed by the buying public. And that was distinguishable from the impact of imports, The injury that was sustained by the industry would have been substantial without import penetration, for those reasons.

Senator HEINZ. I thank you. I asked that question just so I could gain a little extra insight into the way the mind of at least one Commissioner, a former Commissioner, worked.

Mr. Calhoun, thank you very much. We would like to receive your other writings on the subject that you and Senator Mitchell were discussing, namely, information gathering provided to the Commission.

Mr. CALHOUN. Thank you, Senator, and thank you, Senator Mitchell.

Senator HEINZ. Thank you.

The next set of witnesses is going to consist of a panel of seven: Mr. George Langstaff, Mr. Richard Shomaker, Mr. Robert Slosberg, Lauren R. Howard, Mr. Art Gundersheim, Ms. Diane Walker, and Mr. Donald Stephens.

I yield to Senator Mitchell for any introductions he cares to make.

Senator MITCHELL. Thank you, Mr. Chairman. Before the witnesses begin I want to say that we thank them all for coming. Several of them have appeared before this committee on previous occasions and are familiar with the workings of congressional hearings.

Two at least have not, and I would like to especially welcome Diane Walker and Jeannie Hebert, both of Maine. Both are former shoeworkers who are no longer employed in the shoe industry. They have organized a group known as the Shoe Workers of Maine in an effort to obtain relief for the many thousands of their similarly situated persons and those who are still in the industry who hope not to lose their jobs.

They are ordinary citizens, here exercising their rights under the democratic process to address their elected representatives in the hopes of relief. I met them previously when they organized a function in Maine to dramatize the plight of the workers in the shoe industry, and on behalf of the committee I welcome you both here and look forward to hearing what you have to say.

Senator Heinz will determine the order of testimony, and I am sure he, as I do, looks forward to the point at which you testify as well as the other witnesses.

Thank you, Mr. Chairman.

Senator HEINZ. I would say to my friend from Maine, we are going to follow the listing in the hearing notice; so the first witness will be George Langstaff.

STATEMENT BY GEORGE LANGSTAFF, PRESIDENT, FOOTWEAR INDUSTRIES OF AMERICA, PHILADELPHIA, PA

Mr. LANGSTAFF. Thank you, Mr. Chairman.

I am George Langstaff, president of Footwear Industries of America. I will have to say, sir, that I am surprised to be back here so soon. I do thank you and the other Senators for making this appearance possible.

I will say to you, sir, that I am submitting my full statement. I found last night that as I read my statement, it was 11 minutes long. Although I am attempting to be a Pennsylvanian I still talk like a Tennessean. So I am going to make an overview statement and would like to ask that your accept the full statement for the record.

Frankly, at the time we were here before I just couldn't envision the unbelievable injustice which the footwear industry was about to experience. Of course, I am referring to the June 6 ITC decision that the U.S. nonrubber footwear industry is not injured nor threatened with injury by the avalanche of imports that we have experienced. Frankly, this is incomprehensible—a 5-to-0 no-injury decision in the face of overwhelming evidence to the contrary.

For those of us who were there that morning prior to the vote, Chairman Eckes questioned the ITC staff and elicited these facts:

First, imports have increased from 405 to 582 million pair, from 51 percent to over 70 percent of the market in 1984.

Second, production has declined from 399 million pair to 341 million pair in this period, and down another 6 percent in 1984.

Third, employment has declined from 149,000 to 133,000 employees, and down further in 1984.

Unemployment is up dramatically. In 1983 the average unemployment level in the footwear industry was 18.7 percent.

Fifth, total payroll is down, with hourly wages up for those who survived the mayhem of the past year.

The CPI, however—and let me make this point clear, because I think I stated that wrong. The total payroll is down. Average hourly earnings are up 29 percent, but the CPI is in reality up 37 percent, meaning that real wages for the industry are down.

Now, the ITC staff then said that aggregate profits based on the respondents to the ITC survey—that's those who survived the period of avalanche of imports—were actually up from 6.8 to 8.8 percent as a percentage of sales. No recognition whatsoever of those who did not survive this period.

Now, to me these findings were a clear statement of serious injury. And then the vote, 5 to 0 negative. I think I can tell you honestly that the entire room was shocked by this vote, not only the footwear manufacturing industry but those in opposition. And it is frankly still impossible for me to believe this.

Since 1979, 111 net plants have closed, 66 since 1981, but no injury to this industry.

Now, frankly I found some obvious factual errors. As a part of their statement it was obvious that the Commissioners relied on incorrect facts. We will provide a full analysis of those facts for your consideration, but I want to cite these examples:

Chairman Eckes says, "Employment has stabilized."

Commissioner Rohr says, "Average employment in 1982 is above 1981."

The facts, according to the Bureau of Labor Statistics, indicate that employment in the industry in 1979 was 148.9, down to 127 in 1983, which is well below the 137 of 1982. Those are the facts.

Second, Mr. Eckes says "Production and capacity have risen." "Productive capacity of the industry is greater now than in 1979," says Commissioner Rohr.

The facts: The ITC study on production shows clearly that production is down. The ITC study of capacity on those who responded shows an increase in capacity, and fails to take into consideration what has happened to the industry as a whole. The Department of Commerce statistics clearly demonstrate that capacity is down from 520 million pair to 447 million pair in the period.

The ITC, therefore, considered only the survivors, and the ITC Commissioners were cautioned by their staff before the vote that the ITC data was flawed.

A third example: Commissioner Rohr says, "Wages paid to workers of the industry have increased by more than 35 percent." The facts: The ITC staff report stated 31 percent up; the BLS figures show that the figures were up 29 percent in the same period, but the Consumer Price Index was up 37 percent.

Senator HEINZ. We will enter all of that information in the record, Mr. Langstaff, I assure you.

Mr. LANGSTAFF. And we will be sure to supply it to you, sir, thank you.

Senator HEINZ. I thank you very much.

Mr. Shomaker?

[Mr. Langstaff's prepared testimony follows:]

STATEMENT OF GEORGE LANGSTAFF
PRESIDENT
FOOTWEAR INDUSTRIES OF AMERICA, INC.
-- SUMMARY --

- The U.S. International Trade Commission's negative injury determination in the nonrubber footwear section 201 case is a great injustice.
  - The ITC staff found that all of the statutory criteria were met: imports had increased dramatically, production had steadily declined, employment had declined, unemployment in the industry had reached 18.7 percent, the increase in the industry's payroll had failed to keep pace with the cost of living, and the smaller firms in the industry had experienced a decline in profitability.
  - The Commission considered only the profitability of the survivors in the industry, taking no account of the 111 net factory closings between 1979 and 1983.
  - The ITC also relied upon obvious misinformation in dismissing the significant declines of the industry as a whole in terms of production and employment.
    - Chairman Eckes and Commissioner Rohr erroneously stated that employment in the industry has stabilized. However, Bureau of Labor Statistics data show a steady and marked decline in employment in the industry since 1979.
    - According to Chairman Eckes and Commissioner Rohr, production and capacity in the industry have risen. This may be true of the survivors surveyed by the ITC, but Commerce Department statistics on the industry as a whole show a steady decline in production and productive capacity.
    - Commissioner Rohr stated that shoe workers' wages had increased by more than 35 percent. BLS data show the increase was only 29 percent, which was less than the increase in the cost of living.
- FIA strongly supports the quota legislation introduced in the Senate and the House.

STATEMENT OF GEORGE LANGSTAFF
PRESIDENT
FOOTWEAR INDUSTRIES OF AMERICA, INC.

Mr. Chairman and Members of the Subcommittee:

My name is George Langstaff. I serve as president of Footwear Industries of America, Inc., the national trade association for the domestic nonrubber footwear industry.

When I testified before this body on May 25, I never expected to be back so soon. Nor could I possibly have envisioned the unbelievable injustice which the nonrubber footwear industry was about to experience.

The injustice to which I am referring is the U.S. International Trade Commission's incredible and outrageous unanimous decision of June 6 that the U.S. nonrubber footwear industry is not seriously injured or threatened with serious injury by the avalanche of imports which have occurred since 1979, and especially since 1981. It was our trade association and the two unions representing the majority of workers in this industry which filed the section 201 petition in January of this year. We could not conceive then and we cannot conceive now -- even in the wake of the ITC's vote -- that an industry could present a stronger case for relief under section 201. Incomprehensibly, the Commission found by a 5-0 vote that this industry has not been injured by imports, despite the fact that imported nonrubber footwear now accounts for more than seven out of every 10 shoes sold in the United States.

On June 6 in the ITC's hearing room, Chairman Eckes of the Commission questioned the ITC staff and elicited the following material facts prior to the Commission's vote:

(1) Imports have increased in every footwear category from 1979-83, with import penetration rising from 51 to 64 percent and import penetration continues to increase in early 1984, now reaching 71 percent.

(2) Production has steadily declined over the same period.

(3) Employment has declined over the five-year period.

(4) Unemployment within the industry is up dramatically and in 1983 reached 18.7 percent.

(5) The industry's total payroll is down and wages increased by less than the rise in the Consumer Price Index during the period.

As for industry profits, the responses to the ITC's survey indicated that aggregate industry profits of those companies which have survived the mayhem of the last five years had improved from 6.8 percent in 1979 to 8.8 percent in 1983. At the same time, the staff acknowledged that the smaller companies in the industry had experienced a decline in profitability, while only the larger companies in the industry had improved their financial performance.

Having heard this recitation of the severe injury that our industry has experienced over the past five years, I was shocked to hear the Commissioners announce, one after the other, that in their opinion the domestic nonrubber footwear industry and its workers

were not seriously injured or threatened with serious injury as a result of increased imports. Production and employment in the industry are at depression-era levels while imports continue to accelerate sharply, and we were being told that this industry is a textbook example of how an industry can "adjust" to import competition! I literally could not believe my ears.

At least 111 more factories were closed than opened between 1979 and 1983, with 66 of those net closings occurring since 1981, the year that the orderly marketing agreements with Korea and Taiwan were terminated. Many entire firms have left the industry since that time, and yet we were told that the profitability of the survivors was, on average, better than the profitability of other manufacturing industries. That was cold comfort indeed to those survivors that were only hanging on by the skin of their teeth. In fact, the day after the ITC announced its vote, the New York Times reported that Welpro Inc., a 50-year-old maker of women's dress shoes based in Seabrook, New Hampshire, announced it was closing its doors permanently. In a later news report, the president of the company stated that only a decision by the ITC to grant this industry import relief would have allowed Welpro to continue operations. While the principals of Welpro have indicated that they may maintain a small factory of 15 workers or so, about 250 Welpro employees are now unemployed. I do not expect Welpro to be the last of such closings. In fact, the Commission itself found that the majority of firms in the industry -- the smaller firms -- were registering poor financial performance. In light of this acknowledgement, it is impossible to

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interpret the ITC's negative vote as anything but a consignment of these smaller firms and their workers to oblivion.

While the Commission's treatment of the profitability issue seems to me entirely inconsistent with the provisions of section 201, I was also shocked and even angered by the ITC's reliance upon obvious misinformation in dismissing the significant declines of the industry as a whole in terms of production and employment.

For example, in announcing his vote, Chairman Eckes stated that "employment has stabilized" and Commissioner Rohr added that "while the average number of persons employed by the industry is below 1981 levels, it is above the 1982 level." This is a glaring misrepresentation! The government's own statistics, published by the Bureau of Labor Statistics, show that industry employment declined from 148,900 workers in 1979 to only 127,400 workers in 1983. BLS data also show only 125,000 workers in the industry in the first three months of 1984. This is hardly a "stabilization" of employment; in point of fact, 1983 employment is far below the level registered in any preceding year.

But this was not the only misrepresentation of fact I was to hear that morning. Chairman Eckes went on to state that "production and capacity have risen," and Commissioner Rohr stated that "the productive capacity of the industry is greater now than in 1979." Both of these assertions are simply not true. In fact, as I listened to Chairman Eckes say that production in the industry had risen, I looked at the fact sheet that the ITC staff had distributed and saw that the Commission's own data showed a decline in production from 399 million pairs in 1979 to only 341 million pairs in 1983, with

first quarter 1984 data also showing a substantial further decline from first quarter 1983 data. How could Chairman Eckes say that production had risen when his own data undeniably showed that it had declined? Now, to be sure, ITC data do show that productive capacity for the industry sample surveyed by the Commission rose from 287 million pairs in 1979 to 298 million pairs in 1983. But the 1983 level was lower than production in every year between 1980 and 1982 for even this limited sample of survivors. Moreover, the Department of Commerce has collected comprehensive data on production capacity for the industry as a whole, and these statistics showed a dramatic decline in the entire industry's capacity from 520 million pairs in 1979 to 447 million pairs last year. The ITC's information was based on a limited survey of the surviving firms in the industry. Furthermore, the ITC staff cautioned the Commissioners that the ITC production and capacity data were flawed. I fail to see how the ITC could responsibly rely on its own limited survey data and ignore published official data of other departments of the U.S. government.

Finally, I heard Commissioner Rohr state that "wages paid to workers in the industry have increased by more than 35 percent" as though this were some indication of profligate expenditure. Again, Bureau of Labor Statistics data simply show that Commissioner Rohr is wrong: according to BLS data, hourly rates in the industry increased by only 29 percent, not 35 percent. More importantly, however, this 29 percent increase was substantially less than the rise in the Consumer Price Index during the 1979-83 period. According to the BLS data, the cost of living rose by 37 percent during this period. That means that in real terms, shoe workers' wages

actually declined, rather than increased. Official U.S. government data also show that shoe worker wages have actually fallen substantially behind wages in other manufacturing industries during the last five years. I am simply incredulous at Commissioner Rohr's implicit suggestion that the workers in this industry are overpaid. I will most emphatically agree that they are underworked; but it is ridiculous to suggest that they are overpaid as well.

It is not a pleasure for me to recount this grim story. The U.S. nonrubber footwear industry and its workers have been dealt a dirty and unfair blow. I don't like it and I don't think the Commission is exercising the fair and impartial judgment envisioned by the Congress when it established the ITC. I am, however, gratified that Senator Danforth and other members of the Committee have taken such a keen interest in the injustice that has been visited upon our industry.

It is plain to me that the ITC severely misunderstood and misapplied the law in this case, and it ought not to happen again. The quota legislation that has been proposed in the Senate and the House will give the industry what it deserved under section 201 and what the ITC was unwilling to give it. We, of course, strongly support these bills. These legislative initiatives are extremely important to the survival of this manufacturing industry, and we urge their speedy enactment.

Thank you very much for your attention.

STATEMENT OF RICHARD W. SHOMAKER, PRESIDENT, BROWN SHOE CO., ST. LOUIS, MO

Mr. SHOMAKER. Good morning. I am Dick Shomaker, president of Brown Shoe Co., a publicly held company based in St. Louis. We employ about 12,000 workers at our 33 plants in the Midwest.

I have been a frequent visitor to the city, and I planned to be here last Thursday to attend the International Trade Commission hearing on remedy. I thought this meet would be held as scheduled, and I suspect that most everyone else did as well. I have even heard reports of a trade paper where one of the leading manufacturers called the trade paper and asked what the results were, and it was 5 to 0 against. He said, "Are you sure you don't have that backwards?" And I think that is pretty much the substance of what most of us felt.

We have been told that an import penetration of 70 percent—with no sign of stopping; I mean, it is obvious, each month of this year has been a new record—that we are too healthy to enjoy import relief under 201. And I guess Brown is one of those companies that would be considered healthy. We are probably better off than most of the manufacturers in the industry, but we feel that we as a company have been very definitely injured by imports, and we have therefore supported this action on a consistent basis.

We have people in our company who are former employees who would doubt that Brown is very healthy. We have shut down two plants this month. They were announced before the hearing, but they were actually shut down this month. And since 1982 we have closed five.

I have heard economists and now the ITC Commissioners explain that this kind of factory closing is inevitable and beneficial, and the result of a shift in comparative advantage. But what I find perverse about this is that the domestic producers, the domestic employees, are the most productive in the world. And our manufacturers use their equipment and their facilities to the greatest degree of any country around the world.

But we are not talking about comparative advantage; we are simply talking about importers chasing around the world to find the lost-cost labor, where people and their children work uncounted hours at home, at night, under conditions that probably were never legal in this country.

So I think that, despite the substantial increases in efficiency in our company and in others, the productivity should have allowed more pairs to be produced; but the pairs have gone overseas.

Now, we have had to increase our own import operation substantially. As a result of that, we have had to decrease our own domestic production and our domestic employment. But we do, contrary to one of the Commissioner's assumptions, we import and produce domestically the same shoes for the very same brands; we don't have it segmented to "this kind of shoe goes overseas, and this one stays here."

I find it hard to believe that the Congress enacted this section to apply the laws it did 2 weeks ago. It has been apparent to me that the law's potential was to preserve America's manufacturing base, and all the corporate profits in the world are not going to preserve

a manufacturing industry if domestic producers have a greater incentive, both in terms of the immediate financial rewards and the long-term outlook, for the domestic manufacturers to import themselves.

When Congress passed this law, it gave workers along with the firms the right to petition for import relief, and the statute envisions the preservation of domestic productive facilities and employment, not profits.

So the ITC took the diametrically opposite position. The Commission has said that no amount of decline in domestic production and employment levels will matter, so long as the profits of the industry as a whole are within some range so as to be satisfactory. To me, this is a kick in the teeth to the American shoeworker and to me personally.

One of the factories that we closed last week was a factory that I started 34 years ago in Pittsfield, IL.

So, despite this defeat for the industry and the outlook, the industry as a whole is not going to roll over and play dead; we are not going to surrender our market totally to imports.

Senator HEINZ. Mr. Shomaker, I am told that the staff had advised witnesses verbally and in the hearing notice that testimony would have to be kept to 3 minutes. I am further told that you weren't advised of that, and that you were advised that your testimony should be kept to 5 minutes. I am an interloper as the chairman of this hearing, but my loping ends at 12, at which point I have other responsibilities and the hearing will end.

Now, I apologize for that, but all of those factors are not of anybody's making. So if we want to hear the witnesses we are just going to have to, please, work together to shorten up. I apologize for any misunderstanding, and I apologize for the circumstances.

I also apologize for the ITC decision, but that's another issue. [Laughter.]

Mr. SHOMAKER. All right. I have just one final point: We in the industry have a 200 million pair overhang in the last 2 years of supply, just like the Government has a $200 billion deficit. There is a real threat to this industry and in fact the first four public-reporting companies this year are reporting down quarters. It is inconceivable to me that the Commission couldn't see what was going on in this industry.

Senator HEINZ. Thank you very much, Mr. Shomaker.

Mr. Slosberg?

By the way, I'm sure that if Senator Danforth were here both of you being from Missouri, he would be welcoming you warmly and well. Permit me to do so on his behalf.

Mr. SHOMAKER. Thank you, Senator.

Senator HEINZ. Mr. Slosberg?

[Mr. Shomaker's prepared testimony follows:]

STATEMENT OF RICHARD W. SHOMAKER
PRESIDENT
BROWN SHOE COMPANY
-- SUMMARY --

- The ITC's negative determination betrays a fundamental misconception about the purpose of section 201.
  - The statute envisions the preservation of domestic production facilities and employment, not profits.
  - The ITC has taken the diametrically opposed position that no amount of decline in domestic production and employment matters so long as profits for the industry as a whole are judged to be satisfactory.
- The factual underpinnings of the Commission's profit analysis are also very suspect.
  - The industry believes the ITC survey included profits from import operations in U.S. producers' manufacturing profit data.
  - Market conditions in 1982 and 1983 were extraordinary. Surging imports created an overhang of footwear in the U.S. market. This oversupply is likely to depress prices and cause a rapid decline in U.S. footwear manufacturers' profitability.
- If section 201 is not available to an industry that has been forced to reduce production and employment and import itself in order to compete with imports, and yet has lost 70 percent of its market, then something is wrong.

STATEMENT OF RICHARD W. SHOMAKER
PRESIDENT
BROWN SHOE COMPANY

Good morning Mr. Chairman and Members of the Subcommittee:

My name is Richard W. Shomaker. I am president of the Brown Shoe Company, a member company of the Brown Group, Inc., a publicly-held corporation. I have been affiliated with Brown Shoe for more than 25 years, in both manufacturing and management, and have been president of the company since 1972. Our company manufactures men's, women's and children's shoes. The company employs approximately 12,000 workers at 33 factories in Arkansas, Missouri, Tennessee, Illinois and Mississippi.

Mr. Chairman, I am a frequent visitor to the city of Washington but I must say that my attendance here this morning was somewhat unexpected. Instead, I had planned on being in the District last Thursday, June 14, to attend the U.S. International Trade Commission's scheduled hearing on the remedy to be given the U.S. nonrubber footwear industry in response to its petition under section 201. I fully expected that hearing to be held as scheduled, and from what I read in the trade press, virtually everybody involved in this case, on both sides of the dispute, regarded it as a foregone conclusion that the ITC would find the U.S. industry to be seriously injured or threatened with serious injury. The leading trade paper, Footwear News, reported that one major member of the industry had called the paper to find out what the ITC's decision had been on June 6. When he was told of the unanimous vote against the domestic industry, he is said to have paused and then asked: "Are you sure you don't have that backwards?" I must confess that my reaction was pretty much the same.

In essence, the domestic nonrubber footwear industry has been told that despite an import penetration ratio that has grown to more than 70 percent of the market, with absolutely no signs of stopping, the industry is simply too "healthy" to deserve import relief under section 201. As the president of what today is the largest producer of nonrubber footwear in the United States in terms of its domestic manufacturing operations, and one of those firms in the industry that I am sure the ITC regarded as "healthy," I have to say that someone -- either the ITC or myself -- has a fundamental misconception about the purpose of section 201. Brown's profit and loss statement has been better than that of many of the firms in the nonrubber footwear industry, but we have vigorously supported the industry's section 201 petition out of a firm conviction that our company, as well as the industry as a whole, has been seriously injured by imports within the meaning and intention of section 201.

I know of a group of people in Pittsfield, Illinois and Ironton, Missouri that would find it very hard to believe that Brown is "healthy." Those people are former Brown employees, the victims of our most recent set of plant shutdowns, both in the month of June. We've closed five plants since 1982.

I have heard economists, financial analysts and now (unfortunately) ITC commissioners explain that such factory closings are the inevitable -- and in the end, beneficial -- result of a shift in "comparative advantage." What I find perverse about this entrenched economic concept is that true productive "efficiency" has absolutely nothing to do with it. Our workers in Pittsfield and Ironton were highly efficient shoe workers: our company has been a

leader in this industry in improved production technology, and our pairage per hour ratio is probably among the highest in the world. The workers in the factories of the domestic manufacturers are, taken as a whole, the most productive in the world. U.S. manufacturers utilize their machinery and facilities more effectively than any country in the world.

No, we're not talking about shifts in comparative advantage, but simply about chasing around the world to find the lowest-cost labor, where people and their children work uncounted hours, at night in their homes, under conditions illegal in this country 60 or 70 years ago, if they were ever legal.

Despite substantial increases in our overall efficiency, we have been forced to close plants and lay off workers. This is because the increased pairage that should have accompanied the increased productivity has not materialized. The reason is obvious: since as recently as 1981, import penetration in the U.S. market has risen from 51 percent to more than 70 percent in the first three months of this year. Brown Shoe Company has increased its own import operations in reaction to this import surge. We did this to maintain our market share and profitability. The unfortunate result, however, is that we have reduced domestic production and reduced domestic employment. I might say, though, that contrary to one of the commissioners' erroneous assumptions, we import and produce domestically the same shoes for the same brand names.

I find it hard to believe that when Congress enacted section 201, it intended the International Trade Commission to apply the law as it did last June 6. It had always been apparent to me that the purpose of section 201 was to preserve, to the largest extent

possible, America's manufacturing base. All of the corporate profits in the world are not going to preserve a manufacturing industry if domestic producers have a greater incentive, both in terms of the immediate financial rewards and the long-term outlook for domestic manufacturing operations, to import themselves. When Congress passed section 201 in 1974, it gave workers, along with firms in an industry, the right to petition for import relief under section 201. The statute primarily envisions the preservation of domestic productive facilities and employment, not profits. The ITC has taken the diametrically opposite position: the Commission has said that no amount of decline in domestic production and employment levels will matter so long as the profits for the industry as a whole are within some range judged to be satisfactory. That to me is a kick in the teeth to the American shoe worker and to me personally. The factory in Pittsfield, Illinois we shut the door on last week was the factory I started my career in exactly 34 years ago.

Despite this terrible defeat for the industry and the very bleak outlook that it portends for individual nonrubber footwear firms, the industry as a whole is not about to surrender its market totally to imports. To that end, we at Brown and the industry as a whole are determined to redouble our efforts to improve our productivity through the increased utilization of advanced production technology. Nevertheless, if those efforts fail to stem the tide of foreign footwear, we may be forced once again to seek import relief under section 201.

Aside from this basic theoretical question of whether profitability should be given primacy under section 201, I think it is

important for the Subcommittee to understand that the factual underpinnings of the Commission's profit analysis are also very suspect. As an initial matter, the industry has long been convinced that in its surveys of this industry, the ITC has repeatedly included profits attributable to import operations in domestic producers' financial data. Although we were assured by the ITC staff in this case that the survey data on manufacturing profitability did not include profits on import operations, we remain unconvinced. The ITC's questionnaire itself allowed U.S. producers whose import operations accounted for up to 15 percent of their total sales to report import profits together with manufacturing profits. Given the significant number of firms in this industry which import at least a portion of their total product line, this reporting rule left room for considerable distortion of the ITC's profit data. We formally asked the full Commission to eliminate this 15 percent rule, but it declined to do so. Also, I and others in the industry remain unconvinced that reporting firms consistently disaggregated their manufacturing and import profits even when the ITC questionnaire clearly required them to do so. Therefore, I seriously doubt that manufacturing profits in the industry are as high as the ITC data would indicate.

Even if the industry's 1983 profits are as high as the ITC says they are, however, I believe it is horribly short-sighted of the Commission to give any kind of significance to that fact. Hardly a man in the industry would agree that market conditions in the past two years are anything like normal. Imports of nonrubber footwear have outstripped the capacity of the market to absorb them, and as

a result, there is an overhang of footwear in the market. Because of this oversupply, we expect U.S. producers' profits to be under pressure. If nothing else, this signals a very real threat of serious injury to the industry. In addition, the saturation of the market will also cause an acceleration of firms exiting the industry, as more and more domestic producers find that retailers have too many shoes -- and especially too many imported shoes -- on their shelves.

If an industry that has seen 70 percent of its market go to imports is not viewed as entitled to relief under section 201 as presently worded, then something is wrong. If section 201 is not available to an industry that has been forced to reduce production and employment and import itself in order to compete with imports, then section 201 is being misinterpreted and misapplied. I urge this Subcommittee to take action to assure that such misinterpretations and misapplications of the statute do not continue in the future.

Thank you.

STATEMENT BY ROBERT SLOSBERG, PRESIDENT, RIPLEY INDUSTRIES, ST. LOUIS, MO

Mr. SLOSBERG. Mr. Chairman and members of the committee, my name is Robert Slosberg. I am president of Ripley Industries, a domestic manufacturer of heel parts, cutting dies, and shoe soles. I am also privileged to serve as vice chairman of the board of Footwear Industries of America.

Our company is approximately 60 years old, and I have been in the industry myself for about half that time. In the late 1960's we had 11 plants and over 1,100 workers in Massachusetts, Maine, New Hampshire, New York, Missouri, Michigan, Tennessee, and Puerto Rico. Today we maintain five plants employing approximately 500 persons in Missouri, Maine, and New Hampshire.

It is a great privilege for me to be here this morning, because this is the first opportunity I have had to plead the cause and the case of the industries which serve as suppliers and machinery to the footwear industry. Through a quirk in the trade laws that never ceases to amaze me for its lack of logic, supplier industries are not generally able to present evidence to the International Trade Commission on how increased imports of the article produced by the industry they supply have adversely affected their own operations. I can see how this might make some degree of sense if we were in the steel industry and our products were used in an infinite variety of manufactured articles ranging from cutlery to automobiles. But I am a member of a rapidly dwindling industry that is tied totally to the welfare of a single domestic industry—that producing footwear. We suppliers had as great an inter-

est and stake in the U.S. nonrubber footwear industry's section 201 petition as the footwear manufacturers did themselves.

In my comments this morning I would just like to describe some of the implications of the ITC's negative injury determination for the U.S. footwear supplier industries and the footwear industry which they serve.

The independent supplier industries are the infrastructure for the U.S. footwear manufacturing industries. These industries include tanning, machinery, fabric, manufacturers of adhesives, components such as heels, stays, shanks, counters, even the boxes the shoes go in.

The footwear manufacturing industry in this country is not highly vertically integrated. There are very few companies which have operations running the gamut from the manufacture of leather and components through shoes to retailing, and some of these have closed their own supply plants. The great majority of the industry consists of smaller firms which concentrate on the manufacture of footwear through components purchased from other firms.

Thus far, this system of independent suppliers has served the footwear industry well, inasmuch as one supplier serving 10 factories can achieve economies of scale greater than those obtainable by a single integrated supplier serving only their own parent company's footwear manufacturing plants.

Because of their direct stake in the welfare of the domestic nonrubber footwear industry, the supplying industries have traditionally provided a substantial part of the total research and development performed in the footwear product area. Small footwear firms which do not have sufficient capital themselves to devote to R&D rely upon their suppliers for much of their product improvement and development. This is not to be an indictment of the footwear manufacturers, that they have been lax in their R&D efforts; in fact, the statistics are just the opposite. But it does suggest that the U.S. footwear industry depends on its suppliers for more than just supplies; it relies on them for a large amount of the R&D which helps them to stay competitive.

I have attached to my written statement a copy of the footwear supplying industries that to my knowledge have closed factories or gone out of business in the last 10 years or so. This encompasses over 150 companies. This list is by no means exhaustive, and I am sure that you will agree that suppliers are folding at a very rapid pace.

Why have they gone out of business? For no other reason than that the imports of footwear have forced the suppliers' customers to reduce production and, as a result, purchase of supplies. As every factory closes, we in the supplier industries have fewer customers, less sales dollars, and less capital available for R&D.

Moreover, it is important to realize that in several supplier sectors, only a small number of companies remain to supply the entire U.S. footwear industry. For example, at present there are only three domestic firms manufacturing shoe lasts, eight manufacturing heels, and five manufacturing insoles.

I can understand the frustration that the footwear manufacturers feel; we ourselves have even a greater one. It happens to be the same problem that the FIA and the unions' petition showed, the

imports of nonrubber footwear. But the trade laws give supplier industries like ourselves no legal remedy. We cannot petition under section 201 or the antidumping or countervailing duty laws, and when our workers are laid off they cannot even apply for adjustment assistance, because they haven't lost their jobs to imports of heels or counters; they have lost their jobs because of the imports of footwear.

I know my time is up. I would like to have this statement submitted, and we thank you for the opportunity.

Senator HEINZ. Mr. Slosberg, without objection your statement will be a part of the record, as it will be for each of our witnesses. Thank you very much.

Ms. Howard?

[Mr. Slosberg's prepared testimony follows:]

STATEMENT OF ROBERT H. SLOSBERG
PRESIDENT
RIPLEY INDUSTRIES, INC.
-- SUMMARY --

- The ITC's negative injury determination has implications not only for the U.S. nonrubber footwear industry, but for the domestic footwear supplier industries as well.

  - The independent supplier industries are the infrastructure for the U.S. nonrubber footwear industry as a whole. The footwear manufacturing industry in the United States is not highly vertically integrated, and depends on independent suppliers for leather, machinery, fabric, adhesives and shoe components.

  - The supplying industries have traditionally provided a very substantial part of the total research and development performed in the footwear product area. Thus, the U.S. footwear industry depends on its suppliers for more than just supplies: it also relies on the supplier industries for a large amount of the research and development which helps the industry to stay internationally competitive.

  - In several supplier sectors, only a small number of companies remain to supply the entire U.S. footwear industry. If these few firms were to go out of business because of diminished domestic demand for their product, the remainder of the footwear industry will be dramatically injured.

  - If the U.S. supplier industries collapse, even the healthiest U.S. footwear manufacturers will collapse with them.

STATEMENT OF ROBERT H. SLOSBERG
PRESIDENT
RIPLEY INDUSTRIES, INC.

Mr. Chairman and members of the Subcommittee:

Good morning. My name is Robert H. Slosberg. I am president of Ripley Industries, Inc., a domestic manufacturer of heels and heel parts, cutting dies, and shoe soles. I am also privileged to serve as Vice Chairman of the Board of Footwear Industries of America, Inc.

Our company is approximately 60 years old, and I have been in the industry myself for about half that time. In the late 1960's, we had 11 plants and 1100 workers in Massachusetts, Maine, New Hampshire, New York, Missouri, Michigan and Puerto Rico. Today we maintain 5 plants employing 500 persons in Missouri, Maine and New Hampshire.

Mr. Chairman, it is an especially great privilege for me to be here this morning because this is really the first opportunity that I have had to plead the case of the industries which serve as suppliers of materials and machinery to the footwear industry. Through a quirk in the trade laws that never ceases to amaze me for its lack of logic, supplier industries are generally not able to present evidence to the International Trade Commission on how increased imports of the article produced by the industry they supply have adversely affected their own operations. I can see how this might make some degree of sense if we were a basic industry like the steel industry and our products were used in an infinite variety of manufactured articles, ranging from cutlery to automobiles. But I am a member of a rapidly dwindling industry whose fortunes are tied

solely to the welfare of a single domestic industry -- that producing footwear. We suppliers had as great an interest and stake in the U.S. nonrubber footwear industry's section 201 petition as the footwear manufacturers did themselves. In my comments this morning, I would just like to describe some of the implications of the ITC's negative injury determination for the U.S. footwear supplier industries and the footwear industry which they serve.

The independent supplier industries are the infrastructure for the U.S. nonrubber footwear industry as a whole. These industries include the leather tanning industry, makers of footwear machinery, suppliers of fabric, and manufacturers of adhesives and shoe components (such as heels, stays, shanks, counters, and even boxes). The footwear manufacturing industry in this country is not highly vertically integrated. Although there are a very few companies which have operations running the gamut from the manufacture of leather and shoe components to retailing, and some of these have closed their own supply plants, the great majority of the industry consists of smaller firms which concentrate on the manufacture of footwear from components purchased from other firms. Thus far, this system of independent suppliers has served the footwear industry well, inasmuch as one supplier serving ten factories can achieve economies of scale greater than those obtainable by a single integrated supplier serving only their own parent company's footwear manufacturing plants.

Because of their direct stake in the welfare of the domestic nonrubber footwear industry, the supplying industries have traditionally provided a very substantial part of the total research and

development performed in the footwear product area. Small footwear firms which do not have sufficient capital themselves to devote to R&D rely upon their suppliers for most of their product improvement and development. This is not to say that footwear manufacturers themselves have been lax in their R&D efforts -- in fact, the statistics show just the opposite -- but it does suggest that the U.S. footwear industry depends on its suppliers for more than just supplies: it also relies on the supplier industries for a large amount of the research and development which helps the industry to stay internationally competitive.

I have attached to my written statement a copy of members of the footwear supplying industries that to my knowledge have closed factories or gone out of business in the last ten years or so. This list is by no means exhaustive, but I am sure you will agree that shoe suppliers are folding at a rapid pace. Why have these companies gone out of business? For no other reason than that imports of footwear have forced the suppliers' footwear manufacturer customers to reduce production and, as a result, purchases of shoe supplies. As every footwear factory closes, we in the supplier industries have fewer customers, less sales dollars, and less capital available for the research and development on which the footwear industry so greatly depends.

Moreover, it is important to realize that in several supplier sectors, only a small number of companies remain to supply the entire U.S. footwear industry. For example, at present, there are only three domestic firms manufacturing shoe lasts -- the foot-shaped forms upon which most footwear is constructed -- and those firms

maintain only four factories. In addition, only three American companies with five factories currently make insoles, and heels are made by only five U.S. companies operating no more than eight factories. Each of these products is crucial to the operation of the domestic nonrubber footwear industry. But if these few firms were to go out of business because of diminished domestic demand for their product, the remainder of the footwear industry will be dramatically injured. Even the so-called "healthy" footwear manufacturers will suddenly be deprived of their only realistic source of supply for certain essential footwear components. The ITC seems to have concluded that these "healthy" domestic footwear manufacturers are able to compete with imported footwear head-to-head. However, if the U.S. supplier industries collapse, there is no doubt in my mind that even the healthiest U.S. footwear manufacturers will collapse with them.

I can well understand the frustration which the nonrubber footwear manufacturers in our association are feeling in the wake of the ITC's disastrous decision not to accord the footwear industry import relief. But I have to say that as a supplier, my sense of frustration is even greater. We in the supplier industries have a tremendous import problem ourselves. It happens to be the same import problem that was the subject of FIA's and the unions' section 201 petition -- namely, imports of nonrubber footwear. But the trade laws give supplier industries like ourselves no legal remedy. We cannot petition under section 201 or the antidumping and countervailing duty laws, and when our workers are laid off, they cannot even apply for trade adjustment assistance because they haven't lost

their jobs to imports of heels or counters, they have lost their jobs because of imports of footwear. Although this strikes me as terribly unfair, this may not be the appropriate time or place to suggest that the law needs to be changed in this regard. There are other changes that have and will be suggested this morning that are more deserving of the Subcommittee's immediate attention. I merely mention this deficiency in the law to emphasize for the Subcommittee that the nominal petitioners in this case were not the only parties that have been devastated by the ITC's vote on June 6. We had as much, if not more, riding on this case, and it will not only be manufacturers of nonrubber footwear that will suffer as a result of the ITC's decision. Even the healthiest U.S. manufacturers of footwear will not long survive if the supplies on which they depend not only for machinery and materials, but also for product improvement and development, follow the weaker firms in the footwear industry down the merry path of "comparative advantage."

Thank you very much for the opportunity to appear before you this morning.

SHOE SUPPLIERS FACTORY CLOSINGS

STAY

Oxford Hopkins
American Stay
United Stay

HEELS

Union
Hanover Heel & Counter
Amalgamated
Sableman
Patty Grebs
Progressive Wood
Universal
United
Vermont
York
Service - 2 plants
Eastern
D. H. Ford
Park Plastic
Famalore Pattern
D & S Leather
B.W. Freeman
Fred W. Mears
Spark
Daley Bros.
Allied
Guide
Northern
Central Plastic
Rangley
Park
Missouri Heel

SHANKS - COUNTERS

Cangans Shanks
Daniel Nailheads
New England Counter
Moore Shanks
Engel-Lewis Counter
Advance Counter
Campello
International Shank
Kingsbury

BUCKLES-BOWS

Buckle Craft
Vanity Bow
Precision Buckle
Liberty Ornaments
Defeaus Button
Mark I Ornaments
Premier Shoe Goods

INSOLE STRIPS

Union City
Freeman
George Convey
H.B. Bixby
Andaco Howe
Sewall
Golden Board
Bayco Co. - 2 plants
Pitts, Inc.
Barlo
Davis Box Toe
Norton
Atco Flex

FABRICS - MAN MADE

McQuaid Fabrics
Cooney Weiss
Seaton Urethane
General Tire (Shoe Div.)
Phillips Premier
Elfskin
Phillips Clemtex
Nufam, Inc.
Parva Industries
Frontier Urethane Corp.
McCordie Corp.
M. Lowenstein & Sons
Spaulding Fibre Co.

RUBBER

Avon Sole Co.
B.F. Goodrich
Cats Paw
Seiberling
Uniroyal

UNIT SOLES

Unisole of America
Vulcan Unit Soles
Vylyt Corp.
Katy Plas
Goodyear

PACKAGING

Mutual Paper
Hoague Sprague
Alton Box

LASTS

Krentler
Mississippi Valley
United
Woodward Wright
Western Last
Belcher Last
Auburn Last
Leader Last
Vulcan - 2 plants
J & V - 3 plants
Sterling

LEATHER

Reeves Bros.
Berkshire Tanning
Fleming Jaffe
Moran Leather
Jentra Inc.
M.T.E. Corp.
W. Milender & Sons
Luco Leather Co.
D & M Leather Co.

PATTERN

Dunbar
Brown Tilt
Midwest
Superior
Glen Moulon
Premier Shoe
Webbens Shoe

COMBINERS

Cleaver Backing
Columbia

RUBBER (Cont'd)

Essex
Crog Cord
Hale
Hagerston
New Jersey
Middletown
Brockton
Poliplast, Inc.

MISCELLANEOUS

Plyraft, Inc.
Servco, Inc.
Premier Shoe Products
Dellinger Sales, Inc.
Columbia Cement
Feaks Mercantile, Inc.
George O. Jenkins Co.
Maxam, Inc.
Pleuer Industries
Liberty Tool & Die
Bravco, Inc.
Ameri-Tex Industries
American Supply Co.
Superior Cutting Die
Queenco Products
Shell, Atherton & Norcross
H.B. Products
Ryan Ideal
Irving L. Keith
Superior Polish
Hamilton Wade Co.
Abrasive Products
Mullen Bros.
Paracord Co.
Henry C. Hatch
Sewing Machine Supplies

STATEMENT OF LAUREN R. HOWARD, ESQ., COLLIER, SHANNON, RILL & SCOTT, WASHINGTON, DC

Ms. HOWARD. Thank you, Mr. Chairman.

I will also summarize my statement for the record. My name is Lauren Howard, and I am a partner in the law firm of Collier, Shannon, Rill & Scott, who represented the domestic nonrubber footwear industry and its workers in the recent escape clause case before the International Trade Commission.

As my written statement shows, I firmly believe that the International Trade Commission in reviewing the facts before them could have and should have found in the affirmative in its injury determination with regard to this industry. Since they have not, I believe that this Congress should clarify its intent, and suggest some statutory amendments which would compel the International Trade Commission in the future to grant an industry such as this relief. And I will present the part of my statement which deals with some suggested changes in the escape clause provisions.

We believe that the purpose of the statute is clearly to preserve production and employment, not industry profits and violence is done to this statutory purpose when industries such as the nonrubber footwear industry are not found fitting candidates for import relief, despite massive declines in production and employment in the face of escalating imports.

If the ITC is not to repeat this mistake that it made in this case, it might be appropriate for Congress to offer the Commission some firm guidance in this matter.

We therefore urge Congress to clarify the provisions of section 201 so that the ITC will be compelled to make affirmative injury

findings in cases like the one presented by the footwear industry. I think it particularly important that Congress make clear that a domestic industry's loss of market share is positive evidence of injury under section 201.

In its vote, the Commission seems to have found that the relatively small absolute decline in U.S. production in the brief 2-year period between 1982 and 1983 indicated that the U.S. industry was not injured, despite the total failure of the U.S. industry to participate in the tremendous growth in the market between those years and despite the steep decline from production levels in prior years. To me, it is bizarre that an industry that has lost substantial market share to imports can be found to have stabilized its competitive position. The ITC should be expressly told that section 201 is incompatible with that view.

I think it is also crucial that the ITC be made to understand that from the perspective of 201 all imports are injurious to the productive facilities and the workers in an industry, including imports by domestic manufacturers themselves. It is too simplistic a view to say that when manufacturers import they are obviously helping themselves and the industry.

Obviously, in one sense, imports do help by increasing overall corporate profitability. But once again, it is my view that that is not the perspective of section 201 as I understand it. Workers have as much right to relief from imports as do firms in an industry; indeed, they have more right to import relief, because they do not have the option of going offshore.

From this viewpoint, imports by domestic producers must be regarded as affirmative evidence of serious injury. In addition, we were deeply disturbed by the Commission's apparent failure to consider the sharply upward trend in imports of nonrubber footwear in connection with determining whether the industry is threatened with serious injury. Although this has normally been the ITC's practice, the terms of section 201 currently do not expressly require it, and this analysis appears not to have been performed in this case. With imports accelerating at more than 20 percent in each of the first 4 months of 1984, it is impossible to dismiss threat of injury.

With that, I will conclude my testimony, and I commend to the subcommittee the other recommendations that we have in my statement.

Senator HEINZ. Ms. Howard, thank you very much.

Art Gundersheim?

[Ms. Howard's written testimony follows:]

STATEMENT OF LAUREN R. HOWARD
COLLIER, SHANNON, RILL & SCOTT

Good morning, Chairman Danforth and members of the Subcommittee:

My name is Lauren R. Howard. I am a partner in the Washington law firm of Collier, Shannon, Rill & Scott. We represented Footwear Industries of America, Inc., the Amalgamated Clothing and Textile Workers Union and the United Food & Commercial Workers International Union in their recent attempt to secure import relief for the nonrubber footwear industry under section 201 of the Trade Act of 1974.

As the Subcommittee knows, and as the witnesses that have preceded me have described in some detail, the International Trade Commission reached a unanimous determination that increased imports were not a substantial cause of serious injury or threat of serious injury to the industry within the meaning of section 201. Thus, the industry's third attempt in the last nine years to obtain import relief under section 201 has met an untimely death. The absurdity of the ITC's decision is only fully appreciated by one who, like myself, was involved in both of the industry's prior efforts to secure relief under section 201. In each of those prior investigations in 1976 and 1977, the Commission unanimously determined that the U.S. nonrubber footwear industry was seriously injured as a result of increased imports. As Commission Chairman Alfred Eckes noted at the vote, the most recent case was indeed different from the prior two; but if anything, the case was different because it was overwhelmingly stronger than the industry's claim to relief in 1976

and 1977. This makes the Commission's unanimous negative determination of June 6 all the more incomprehensible.

Section 201 requires that three tests be met in order to establish a claim for import relief. First, it must be shown that imports are increasing. No one could seriously question that this criterion was amply satisfied: imports in 1983 were 582 million pairs, more than double the 288 million pairs imported in 1975, the year preceding the first of the ITC's two prior unanimous affirmative determinations under section 201. In 1975, import penetration was 41 percent. Last year, imports took 64 percent of the U.S. market, and in the first quarter of 1984, import penetration exceeded 70 percent. To my knowledge, no other major industry has experienced so intense an assault by imports.

Moving ahead for a moment to the third criterion under the statute, it must be shown that imports are the substantial cause of the industry's injury. Here, too, there was no serious dispute that the test was fully met. In our case back in 1976, we successfully refuted the argument that the recession of 1975, with its attendant reduction in general demand for footwear, was in fact a greater cause of injury than imports. During this latest investigation, not even the recession was a candidate as an intervening cause; despite the recent recession, footwear demand has been at an all-time high. It was abundantly clear in this case that the depressed production levels of the domestic industry were the direct result of no other cause than the massive increase in imports that has captured all of the increased demand for footwear in the United States in the past two years.

It was, of course, the second statutory test -- the requirement that the industry be found to be seriously injured or threatened with serious injury -- that the ITC concluded had not been met. However, I believe that when the statutory criteria for a finding of serious injury are fully examined, it is abundantly clear that each and every one of the three standards for serious injury was met in this case. First, there has clearly been a significant idling of productive facilities in the industry. Domestic production has declined in every year since 1978, and fell by 30 million pairs between 1981 and 1982 alone. Despite reducing its productive capacity by about 75 million pairs between 1979 and 1983, the capacity utilization rate for the industry remained essentially unchanged. Between 1979 and 1983, there were 111 net factory closings in the industry, with 66 of these closings occurring since 1981.

Second, there is unquestionably significant unemployment and underemployment in the industry. According to the Bureau of Labor Statistics, 37,000 shoe workers were unemployed in 1983, only slightly less than the record 41,000 laid-off workers recorded in 1982. Unemployment in the industry was 18.7 percent in 1983, substantially more than the 11 percent registered in all U.S. manufacturing. The level of unemployment also far exceeded the rate of 10.9 percent registered in 1975 and 5.6 percent in 1979.

Finally, it is apparent that the industry satisfied the plain terms of the profit criterion of the statute -- namely, the inability of a significant number of firms to operate at a reasonable level of profit. The ITC's staff report shows that in 1982 and 1983, respectively, 29 and 30 of the 140 companies surveyed -- or roughly

21 percent of the reporting firms -- reported net operating losses. In 1981, by contrast, only half this number -- or 15 firms -- reported net operating losses. Moreover, the overwhelming majority of firms in the industry by number -- the perspective explicitly required by section 201 -- showed poor and declining profitability. In combination, nonrubber footwear firms producing less than one million pairs per year registered a financial performance that can hardly be regarded as "reasonable" by any standard. While the profitability of the industry as a whole -- and of the larger firms, in particular -- was more robust, Congress did not direct the ITC to look at aggregate profitability in determining injury.

In my opinion, the overwhelming weight of the evidence in this case mandated an affirmative determination of serious injury. The Commission, as the Subcommittee well knows, instead found in the negative by a unanimous vote.

Although to my mind the statutory criteria are clear and were satisfied in this case, the result makes apparent that the Commission, at least, believed that there was enough leeway in the statute as presently worded to issue a result wholly inconsistent with the entire purpose of section 201. However, we believe the purpose of the statute is clearly to preserve production and employment, not industry profits, and violence is done to this statutory purpose when industries such as the nonrubber footwear industry are not found fitting candidates for import relief, despite massive declines in production and employment in the face of escalating imports. If the ITC is not to repeat the mistake it has made in this case, it might be appropriate for Congress to offer the Commission some firm guidance.

We therefore urge Congress to clarify the provisions of section 201 so that the ITC will be compelled to make affirmative injury findings in cases like the one presented by the footwear industry. I think it is particularly important that Congress make clear that a domestic industry's loss of market share is positive evidence of injury under section 201. In its vote, the Commission seems to have found that the relatively small absolute decline in U.S. production in the brief two-year period between 1982 and 1983 indicated that the U.S. industry was not injured, despite the total failure of the U.S. industry to participate in the tremendous growth in the market between those years and despite the steep decline from production levels in prior years. To me, it is bizarre that an industry that has lost substantial market share to imports can be found to have "stabilized" its competitive position. The ITC should be expressly told that section 201 is incompatible with that view.

I think it is also crucial that the ITC be made to understand that from the perspective of section 201, all imports are injurious to the productive facilities and workers in an industry, including imports by domestic manufacturers themselves. It is too simplistic a view to say that when manufacturers import they are obviously helping themselves and the industry. Obviously, in one sense, imports do help by increasing overall corporate profits. But once again, that is not the perspective of section 201, as I understand it. Workers have as much right to relief from imports as do firms in an industry; indeed, they have more right to import relief, because they do not have the option of going offshore. From this

viewpoint, imports by domestic producers must be regarded as affirmative evidence of serious injury. An industry in which the incentive to import has become greater than the incentive to continue domestic production is an industry that does not have long to survive. It is my view that it is precisely such industries that section 201 was designed to save.

In addition, we were very disturbed by the Commission's apparent failure to consider the sharply upward trend in imports of nonrubber footwear in connection with determining whether the industry is threatened with serious injury. Although this has normally been the ITC's practice, the terms of section 201 currently do not expressly require it, and this analysis appears not to have been performed in this case. With imports accelerating at more than 20 percent in each of the first four months of 1984, it is impossible to dismiss the threat to the industry, if not the present injury being suffered. We therefore suggest that Congress require the ITC to consider recent import trends in evaluating whether a threat of serious injury exists.

Finally, and perhaps most importantly, the negative votes of each of the commissioners who announced their rationales were based largely on the aggregate profitability of the industry; production and employment trends were given only passing acknowledegment. Section 201 should be amended to make clear that a finding of serious injury or threat thereof should not be precluded by a finding that the profit criteria are not met, so long as the production and employment criteria of the statute are satisfied.

In conclusion, I would just like to say that we continue to believe that the law as currently written mandated an affirmative finding in this case, and that the Commission made an erroneous decision with very tragic results for this industry. The technical amendments described above would go far toward avoiding a repetition of this travesty. I urge Congress to make clear to the Commission, once and for all, that this country is determined to preserve its manufacturing industries consonant with the original goal and purpose of section 201.

Thank you very much for your attention.

STATEMENT BY ARTHUR GUNDERSHEIM, ASSISTANT TO THE PRESIDENT, AMALGAMATED CLOTHING & TEXTILE WORKERS UNION, AFL-CIO, NEW YORK, NY

Mr. GUNDERSHEIM. Senator, I will also ask that my testimony be included in the record, with two slight corrections which I will give to the staff upon the conclusion of the hearing. Unfortunately, we anticipated a few things.

Obviously we join all of our colleagues in being extraordinarily disturbed by the travesty of justice and the sheer incomprehensibility of this decision. It clearly shows that present import relief procedures under the trade statutes are not working as they should, and that we need a major overhaul of the entire process.

To say that we are in support of the quota bill as an immediate step is obvious, but I don't want to trivialize this support by its obviousness. Our shoe workers are enraged and are crying for some assurance that someone in the U.S. Government cares about them, about their jobs, and about their livelihood.

George Langstaff has reviewed a number of the statistics already, in terms of the gross errors made by the Commission, at least in citing the rationale for their decision, and I won't repeat them except to point out that the current average hourly wage in the shoe industry is $5.27, which is barely a living wage. More than that, in real terms this is less than the workers were earning in 1979.

I think it is outrageous that they think that people who have to try to survive on this kind of standard of living don't see imports as a threat to that kind of situation.

More than that, the Commission seems to have decided as its rationale for determining no injury, both in the shoe case and frankly in the steel and copper cases, that it is the profitability of the industry that is the only criteria that seems to count. That seems to be the only test that the ITC imposed, and it seems to have neglected all the other factors mentioned in the statute.

This means either the escape clause applies only to stockholders, or in fact all the major firms of an industry must be approaching insolvency before a positive finding of injury can be made.

Frankly, you here in Congress will have to defend your own legislation when it is so brazenly subverted. What galls us, though, is the basic antiworker attitude this decisionmaking represents. The industry can stay profitable by becoming total importers, frankly; but the only loser is the shoe worker who sees his or her job literally going offshore.

The problem with this decision was that the Commission seems to say that in fact, there is no injury because either the industry can't adjust or in fact, there is no hope of it ever surviving. And I have no recollection, being involved in a number of cases before the International Trade Commission, that in fact it is their mandate under the statute to so determine whether an industry can or cannot continue to survive. Their mandate is to determine the degree of injury.

Obviously, the provisions of the escape clause must be amended to ensure that the injustice of this current ITC decision on shoes is not repeated. In fact, I would say a general reform of all of our trade remedy legislation is long overdue.

Senator Heinz, we know of your attempts at doing this, and we obviously strongly support them.

We certainly also appreciate the committee's quick response to the ITC's decision in calling this hearing and in reviewing the legislation. We trust the committee will report out the quota legislation as speedily as the hearings were called. If this decision is allowed to stand without meaningful response, the credibility of the entire Trade Act is in question.

In fact, I might mention that I have just returned from our union's convention. Frankly, I was at a loss to explain to our shoe workers not only the decision, but how it was arrived at, the entire process, and so forth. And when you find that the people most directly affected by actions here Washington can't understand it, can't explain it, and it makes no sense to them, with all due respect I suggest that our whole democratic process is being jeopardized by that situation.

Thank you.

[Mr. Gundersheim's prepared testimony follows:]

AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION

MURRAY H. FINLEY, President
JACK SHEINKMAN, Secretary-Treasurer
SCOTT HOYMAN, Executive Vice President

AFL-CIO, CLC
15 UNION SQUARE • NEW YORK, N.Y. 10003
(212) 242-0700

STATEMENT OF ARTHUR GUNDERSHEIM
ASSISTANT TO THE PRESIDENT
AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION, AFL-CIO

Before the

Subcommittee on International Trade
Senate Finance Committee
United States Senate

June 22, 1984

SUMMARY

The unanimous determination by the U.S. International Trade Commission that the U.S. shoe industry has not been seriously injured by increased imports is a travesty of justice and of sheer common sense.

The ITC decision represents a basic anti-worker attitude. The Commission is utilizing only one criteria as the test for injury in the escape clause -- profits. This means either the escape clause applies only to stockholders, or all the major firms of an industry must be approaching insolvency before a positive finding of injury can be made. The shoe industry can stay profitable by becoming total importers; the only loser is the shoe worker who sees his job literally being shipped overseas.

Legislation must be passed restricting U.S. imports of nonrubber footwear to a reasonable share of the U.S. market. We strongly support the Senate bill which restricts imports to 400 million pairs annually.

The provisions of the escape clause must be amended to ensure that the injustice of the ITC decision on shoes is not repeated. A general reform of all our trade remedy legislation is long overdue.

VICE PRESIDENTS

JOHN ALLERUZZO
SAMUEL J. AZZINARO
KILMER CABAN
LES CALDER
FRANK CALECA
CHARLES 'BUD' CLARK
ED CLARK
JEAN-MARC COUTURE
OLGA DIAZ
JAMES DILLON
HENRY DROPKIN
BRUCE DUNTON
GARRY FERRARIS
JOHN FOX
SAM FOX
ANGELO G. GEORGIAN
HARRY GORDON
MARION E. GROCE
NICHOLAS GYORY
WILLIAM HALL
JOSEPH HUGHE
JAMES JACKSON
JAMES A. JOHNSON
ARTHUR LOEVY
RICHARD MacFADYEN
JOYCE D. MILLER
VERA MILLER
MURRAY MORENO
FRANK NICHOLAS JR.
CARMEN PAPALE
BRUCE RAYNOR
CHARLES SALLEE
LEON SPITZER
PETER J. SWOBODA
CECIL TOPPIN
JIM WALRAVEN

AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION

MURRAY H. FINLEY, President — JACK SHEINKMAN, Secretary-Treasurer
SCOTT HOYMAN, Executive Vice President

AFL-CIO, CLC
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June 22, 1984

I am Arthur Gundersheim, Assistant to the President of the Amalgamated Clothing and Textile Workers Union. I am speaking here today on behalf of the United Food and Commercial Workers Union and my own union. Between us we represent the unionized shoe workers in this country.

The unanimous determination by the U.S. International Trade Commission that the U.S. shoe industry has not been seriously injured by increased imports is a travesty of justice and of sheer common sense. Not only does the shoe industry have among the highest import market penetration rates of any U.S. manufacturing industry, but to ignore the growth in shoe imports and import penetration over the last two years is totally incomprehensible. It clearly shows that the present import relief procedures under the trade statutes are not working as they should and need major overhaul.

VICE PRESIDENTS

To say we are in support of the quota bill as an immediate step and the proposed changes in the escape clause statute for the long term is obvious. But I don't want to trivialize this support by its obviousness, for our shoe workers are enraged and crying for some assurance that someone in the U.S. Government cares about them, their jobs and their livelihood.

The employment situation is absolutely devastating. According to the best U.S. Government data (the Department of Labor, not the ITC), the average number of employees in the nonrubber footwear industry declined by 5,000 workers between 1979 and 1981 when OMAs were in effect, and then fell by almost 20,000 workers between 1981 and 1983: some 27,000 shoe workers were counted among the unemployed at year-end 1985. Severe job losses continue in 1986. Yet, in the opinion of Chairman Eckes, unbelievable as it may seem, "employment has stabilized" in this industry.

Commissioner Rohr cited another statistic which he somehow deemed a relevant fact indicating a healthy industry. He said that "wages paid (sic) to workers in the industry have increased by more than 35% over the period of our investigation." I must say to that, "so what?". Can he honestly say that an increase in hourly wages from $6.99 per hour to $9.27 per hour (a 29 percent -- not 35 percent -- increase between 1979 and 1985[1/]) is a meaningful increase?

[1/] Based on Bureau of Labor Statistics data.

This is barely a living wage! Commissioner Rohr should have been more thorough and considered that during this same period, the cost of living increased by 37 percent, so that in fact shoeworkers' real wages actually declined substantially.

Three Commissioners cited the allegedly high profits in this industry as their rationale for determining no injury existed. The two subsequent decisions on steel and copper, where the industries were not profitable but all other indicators were similar to footwear, tells us that literally only one criteria is being used as the test for injury -- profits. This means either the escape clause applies only to stockholders, or all the major firms of an industry must be approaching insolvency before a positive finding of injury can be made.

You here in Congress will have to defend your own legislation when it is so brazenly subverted. What galls us is the basic anti-worker attitude this decision-making represents. The industry can stay profitable by becoming total importers: the only loser is the shoe worker who sees his or her job literally being shipped overseas.

At this juncture, there are two courses of action which could remedy the damage. Both need to be pursued vigorously by Congress. First, legislation must be passed restricting U.S. imports of nonrubber footwear to a reasonable share of the U.S. market. We strongly support the Senate bill which restricts imports to 400 million pairs annually.

Second, the provisions of the escape clause must be amended to ensure that the injustice of the ITC decision on shoes is not repeated. In fact a general reform of all our trade remedy legislation is long overdue.

We certainly appreciate this Committee's quick response to the ITC's footwear decision. We trust your action in reporting out this legislation will be equally as speedy. If this decision is allowed to stand without meaningful response, the credibility of the entire Trade Act is in question. In a perverse way maybe the ITC has done us a favor. Now we can really begin to address our trade problems in a meaningful way.

Senator HEINZ. Mr. Gundersheim, I thank you.

At this time I am going to yield to Senator Mitchell.

Senator MITCHELL. Thank you, Mr. Chairman. I now call upon Ms. Walker and Ms. Hebert.

Welcome. Speak directly into the microphone in order to be heard, and we look forward to receiving your testimony.

STATEMENT BY DIANE WALKER, BETHEL, ME, AND JEANNE HEBERT, LIVERMORE, ME, REPRESENTING THE SHOE WORKERS OF MAINE

Ms. WALKER. Greetings from the workers and voters of Maine.

We, the shoe workers of Maine, come before you today to plead the case of the shoe industry in Maine. Maine is the No. 1 shoe producing State in our Nation, but to be the No. 1 producer is of little comfort or benefit if the domestic shoe industry is not protected from the loss of its current 25-percent market share.

We have lost another 2,000 jobs in a period of 12 months from June 1983 to May 1984, which we believe to be directly related to an 11.4-percent increase in shoe import penetration during this same period of time, from 63.6 percent to 75 percent of our own domestic market.

Three isolated rural communities in Maine, in Franklin County, with a combined work force of under 10,000 people is where 25 percent of the most recent job loss occurred. This job loss will push the unemployment rate up an additional 5.2 percent of the total work force population of the tritown community and a 24-percent impact on shoe and related industries in the same area.

The effect on the communities in question is devastating. The potential exists for a dramatic rise in unemployment, food stamp use, welfare, alcoholism, child abuse, and crime; a general demoralizing effect on all three communities involved.

Those who oppose import restrictions on shoes offer the advice that we should retool our shops and retrain for high-tech industries. Yet, where are the high-tech industries located? And where are they going? Increasingly, component manufacturing jobs are

being done overseas, being exported to the very same competitors who are costing us our shoe industry—those in the Caribbean Basin, Taiwan, Korea, Japan, Hong Kong, Brazil, and other foreign ports.

The reason for the high-tech move overseas is identical to that of the shoe industry: Cheap foreign labor at slave wages, and a lack of tariffs which mirror the protection afforded by foreign nations to protect their industries.

Ms. HEBERT. The ITC ruling is not simply a ruling against the shoe industry, but it is a ruling against the American worker. How can they justify saying in 1981, just 3 years ago, the 51-percent import penetration was damaging to the shoe industry and today at 75 percent they find no damage?

It is equally mystifying that at the same time the ITC ruled against the shoe industry which is suffering a 75-percent penetration in the American market, they found economic damage had occurred in the steel industry with only a 25-percent domestic market penetration, and President Reagan afforded relief to the auto industry with a 23-percent import penetration, and in the tobacco industry with a 13-percent penetration. The logic of it all escapes me.

The ITC did not differentiate between the foreign and American made profit structure in the shoe industry. They did not take into account domestic companies who relied heavily on imported shoes to show a profit, and they completely ignored companies who relied on imported shoe uppers for at least 50 percent of their profit ratio.

Our present policy of free trade creates unfair competition for the American worker. Our request for 50 percent of our own market is not unreasonable. And our request for fair trade, not free trade, is only common sense, because you cannot play any game by two different sets of rules.

To allow the demise of the American shoe industry is to put a gun to the head of the American consumer.

This is a Timberland shoe, produced and manufactured substantially overseas. It sells for $59.95. This is a Sebago shoe. It is totally American made and sells for $48.

We all know the labor rates in the Caribbean Basin are less than 30 cents per hour. We feel the American consumer is being cheated by multinational corporations and volume footwear retailers in their greed for megabuck profits. When the last door bangs shut on the American shoe industry, the American consumer will awaken to subquality, overpriced imported footwear, and a commodity he cannot exist without.

Thank you.

At this time, sir, I would like to present you with over 7,000 signatures from the people in Maine asking for fair import legislation.

Ms. WALKER. And we would like to add, that is just the down payment. There are going to be more coming.

Ms. HEBERT. The first installment.

Senator MITCHELL. Well, thank you both very much.

Now I will call on Mr. Stephens.

[The following articles were submitted for the record:]

SHOE WORKERS OF MAINE COALITION FOR FAIR IMPORT LEGISLATION!!!!!
COMPANY SLOGANS
CLOTHING WORKERS
SHELL WORKERS
SHOE WORKERS
AUTO WORKERS
COMMUNICATIONS
CLOTHING WORKERS

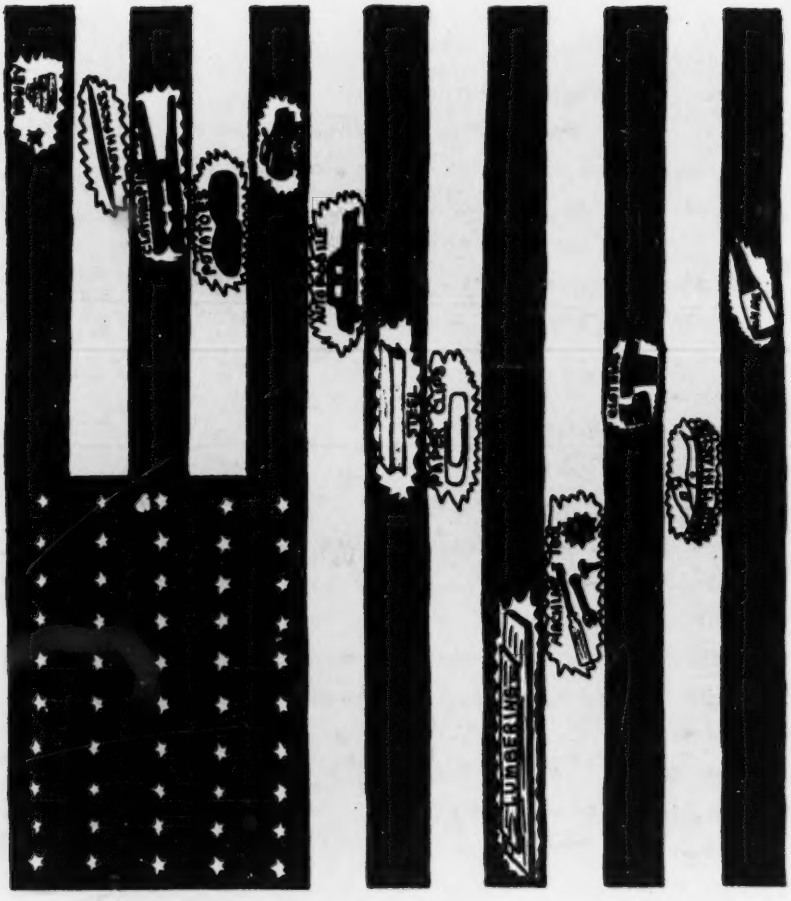
SHOE WORKERS OF MAINE

The Shoe Workers of Maine began in January of 1984, by four friends: Susan Galant, Jeanne Hebert, Dolly Donaghy and Diana Walker. We are all former employees of G.H. Bass although we worked in different divisions of the company. We saw factory after factory closing. Friends and family were losing their jobs left and right. We did an investigation of the import situation. We were both shocked and angry at what we discovered. We decided to do something about it, developed a plan of action and the Shoe Workers of Maine was born.

As we've progressed, we've broadened or altered various parts of the plan. Our goals have always remained the same. We want import relief, a re-defining of raw materials and the rebuilding of our industries so that people can go back to work. We want the rebuilding not just our own industries, but that of others that are the road to extinction such as; steel, clothing, clothespins, textiles, etc.

Our grass roots effort has brought the following accomplishments:

(1) A State Resolution sent to President Reagan asking for the reinstatement of the OMA pre-June 1981 level. And secondly, the redifinition of a raw material. The resolution was passed unanimously through both houses. It was sponsored by House Majority Leader (Elizabeth Mitchell) and leaders of both parties as well as being supported by the Speaker of the House and the President of the Senate.


LUMBERJACK

(2) The forming of a coalition to fight for fair import legislation.

(3) May 12th Rally for the Shoe Industry.

(4) New England News coverage through normal media and National News coverage through Trade Publications.

(5) A second State Resolution calling for the enforcement of the 1934 U.S. Customs Labeling Law. And Secondly, that Shoe uppers be included in the Global OMA (Orderly Marketing Agreement). The Resolution to be sponsored and put through the State Legislature during the next legislative session. It will have the same sponsors as our first resolution.

One goal is to have key people in all Maine Shoe factories and other businesses. Also, to accumulate key people in factories and communities across the nation. For it is only through an across the nation coalition that we can create a voting block with the power to influence the establishment of laws and demand their enforcement through our Federal Government. It also is necessary in demanding the enforcement of already established laws. Our Maine Coalition so far is made up of people from all walks of life from shoe workers to railroad people, from factory owners to small businessmen, from housewives to legislators, from mayors to retirees,and both union and nonunion.

A second goal is to educate the public as to whom is actually responsible for the decline of so many American Industries. Banking and Mult-National Corporations as well as key people within our Federal Government being the main instigators of their decline.

BYE!
BYE!
AMERICAN
PIE!
WE DON'T MIND GIVING YOU A PIECE OF THE PIE, BUT YOU CAN'T HAVE THE WHOLE THING!
FOREIGN COUNTRY
AMERICAN DOLLAR
?

A third goal and the most important is the rebuilding of the Shoe Industry and other American Industries that are being killed by imports. The employment of Americans before we give jobs to those in other lands.

A fourth goal is to make the American consumer aware that when he buys a foreign made shoe he is not getting the bargain he thinks he is because he will pay in other ways as well as the actual cost of the shoes. The other ways are: Unemployment, Food Stamps, Fuel Assistance, Welfare, and Clothing Assistance. How many cases of Child Abuse are the result of a parent who has been unemployed for too long? How many crimes have been committed to provide food for families that would otherwise starve because parents are unemployed? How many families are living anywhere they can find shelter even if it is under bridges and in shacks made of odds and ends of what they can find? At the rate this country is going we will be a third world country ourselves, with a society of only the extremely rich and the very poor.

We are not asking for the elimination of Imports. There will still be plenty of low cost shoes for those that need them. We are only asking for 50% of our own market. We are demanding "Fair Trade" not "Free Trade". We are demanding honest labeling so that the consumer knows what he is buying and where it came from. We are demanding Jobs for Americans, FIRST, LAST and ALWAYS!

AMERICANS NEED JOBS!
AS MAINE GOES SO GOES THE NATION!
AMERICAN JOBS

7

AN EXAMPLE OF A TYPICAL MAINE SHOE COMMUNITY

FARMINGTON--Has a total population of 6,730 people
75.2% are over 18 years of age =5,061 people
12.0% are 65 years of age and over = 808 people
Work age population of 4,253 people
Age 18 to 65

JAY---------Has a total population of 5,080 people
66.5% are over 18 years of age = 3,378 people
8.4% are 65 years and over = 427 people
Work age population = 2,951 people

WILTON------Has a total population of 4,382 people
69.1% are over 18 years of age = 3,028 people
13.1% are 65 years and over = 574 people
Work age population = 2,454 people

Total Work Age Population
TRI-TOWN COMMUNITY = 9,658 people

Franklin County is 1,789 sq. miles in area. It has a total population of 27,098 and 15,879 of them fall in to the workage category. The Franklin county seat is Farmington. The Tri-town Community we are goung to look at includes Farmington, Jay and Wilton. They are the three largest towns in the county. Together they have a total population of 16,192 of which 9,659 fall within the workage category. It is a shoe based community and typical of others in Maine who rely on shoe and their related industries for jobs.

In the last year since June of 1984 there has been a permanent loss of 503 jobs. This amounts to a 5.2% drop of employment in the community and a 24% loss in shoe jobs in the area. This does not reflect the spin off efect on the community in general, which is due to the loss of revenue. from unemployed workers. If steps are not taken by Congress to rectify the I.T.C. decision of June 6, the losing of the remaining shoe and related industries will mean devastation to the community and county as a whole.

The community has not yet begun to feel the full force in terms of welfare of those people already unemployed. Farmington Shoe laid off 130 people last October. Please look at Chart of Food Stamp statistics provided on the next page.

FOOD STAMP STATISTICS

FRANKLIN COUNTY

These figures were obtained from Health and Welfare in Augusta, Maine.

	[illegible]	JUNE 1983	JULY 1983	AUGUST 1983	SEPT. 1983	OCT. 1983
CASES	1,219	1,176	1,195	1,137	1,134	1,141
DOLLARS	$ 134.517	$ 131.967	$ 130.179	$ 128.683	$ 127.656	$ 126.402

[illegible] SHOE CLOSES 130 LAID OFF

	NOV 1983	DEC 1983	JAN 1984	FEB 1984	MAR 1984	APRIL 1984
CASES	1,150	1,174	1,220	1,247	1,242	1,272
DOLLARS	$ 126.291	$ 130.523	$ 137.359	$ 139.656	$ 141.520	$ 143.564

[illegible] GM BASE CLOSES 240 LAID OFF

UNEMPLOYMENT [illegible] SHOE

UNEMPLOYMENT RUNS OUT (MO) [illegible]

JULY 1984	AUG 1984	SEPT 1984	OCT 1984	NOV 1984	DEC 1984

[illegible]

LATEST FIGURES NOT AVAILABLE

In November, a month later, G.E. [illegible] announced the closing of [illegible] of its North Jay plant. They would begin a phase down that would have 250 people unemployed by February 1st. Four months later in March, a third blow came to the Tri-town community with the announcement that G.E. Home Sweford division was to be converted to a warehouse. Some of Sweford's 270 would be allowed to keep workers on the Milton Plant, 8-day for Sweford and May 1st. About 100 people were hanged on Milton. A month later, in April the forth blow landed with the lay off of 23 out of 28 people in Milton's sample department. Those who were left could go to Falmouth, Maine. The end result was 321 unemployed and the 3 jobs that saved from the Tri-town area to to another part of the state.

Since October when Farmington Town closed, Franklin county has showed a steadily increasing demand for food stamps. This is the last link in a chain of dependence on state aid for survival. The loss of a job usually means chronic unemployment for people who live in the rural isolated communities that typify Maine. The Tri-town community has yet to face the full force of the layoffs, because up 2 while this means 321 people are still receiving unemployment. But that will begin running out for the Farmington area workers within the next few weeks. North Jay's workers will begin to lose their unemployment in about a month and Milton's will start phasing out about four months later.

Some workers who were financially able were already moved to other areas or out of the state altogether. Those workers who remain have a questionable future. Some workers can envision

relocation money under the 1974 Trade Act, but this amounts to about $600. This amount of money would barely pay the 2 month deposit on a place to live much less other essentials such as food and clothing. But it isn't just the financial welfare of the community that is a stake. Chronic unemployment breeds alcoholism, drug abuse, child abuse, wife beating, increased crime and even suicide. The mental health and safety of the community is in fact up for auction along with its economic well-being. At this time another 1,400 jobs in this community alone hang in the balance, waiting for their Congress to help them where the I.T.C. has failed.

It has been suggested that the 233,oo workers across the nation who are involved in shoe and related industries be retrained for the high-tech industries. In Maine this is an extreme problem as we do not have nor have any hope of obtaining any more high-tech industries. If we can't compete with labor costs in other countries such as Japan,Taiwan,Brazil, Italy and the Caribbean Basin in shoes, how can we compete in the same labor market in high-tech jobs. Most skills learned in the shoe industry are non-transferable to other industries. And make no mistake ,these are skills and they take years to perfect. This is why the quality of the imports have not yet caught up with our American made shoes. What can shoe workers be trained for?!!

Large shoe companies have a 6% profit before taxes because they have been forced into importing for survival since they were not granted the relief in 1981 that they requested and needed. Many small privately owned companies which make up the majority of the shoe companies in America today are holding on by the skin of their teeth. They are not making 6% profit and cannot afford to go overseas. Privately owned , many are remaining domestic because of the people they employ and their loyalty to the American consumer by providing what they believe is a quality,moderately priced shoe.

Maine Sunday Telegram
Sunday, June 10, 1984

Shoe Workers suffer, wait

Shoe workers suffer, wait

By Roxanne Lassin
Staff Writer

EAST WILTON — On a damp and chilly Thursday morning, Carol Haines walks slowly downstairs, lost in thought, without a hat or hood covering her head. Mrs. Haines, 35, has been unemployed for eight months. She had worked at Maine Woods Shoe in Farmington for the past eight years.

Divorced, with school-age children, Mrs. Haines collects $146 in unemployment and $70 in food stamps every week. But with no alimony, no medical insurance and $200 a month in loan payments, she wonders how long her family can scrape by.

The electricity bill is far in arrears, as is her car loan. She was unable to buy heating oil last winter on credit. Instead, she bought a few gallons of oil every day she could.

Her children, 16, 14 and 11, haven't gone without dentist visits, new clothes and shoes since October, and now consist of homemade soups, chili made from last night's meal, made beans or stew from yesterday's roast.

More than the economic struggle is the mental anguish of joblessness. Each day that passes deepens the frustration. Alone, nowhere to go, Mrs. Haines sinks into black moods that turn to impatience when her children get home. When she speaks of her plight, she does so bravely. But her eyes brim with tears and her voice wavers.

"You're not the same person when you are unemployed," she says. "When you're working, you feel like you are contributing. You have friends you can talk to, open up to. On rainy days like this you're alone all day. And when you go to unemployment you feel inferior. They treat you as if you're not equal, as if you are freeloading."

Mrs. Haines has applied for near-minimum-wage jobs in the area. But she is competing with some of the 700 shoeworkers laid off by Maine Woods Shoe in Farmington and G.H. Bass in Rumford and North Jay since last fall.

Gary Collins, manager of the Foodtown supermarket in Biddeford, has a stack of 50 to 100 applications for cashier or clerk positions, all from laid-off shoeworkers. Like most merchants, Collins has no jobs to offer them.

"They appear to be fairly desperate," says Collins. "A large percentage have worked in the shoe industry all their lives. It appears they aren't trained to do much else."

In many rural Maine towns, life spins precariously on the axis of one or two industries. In western Maine, paper mills and shoe shops have been the mainstay for generations. The shoe jobs, requiring little or no experience, drew young men and women just out of school. They joined their fathers, mothers, sisters, uncles or aunts in the long, clapboard, two-story buildings, where they stitched soles onto uppers, lasted the shoes and packed boxes full of the thousands of shoes turned out each week.

But the shoe industry is in the grips of a long, agonizing shakeout. Since March 1983, more than 2,200 Maine shoe workers have lost their jobs — 700 in Franklin County since last fall.

Many shoe workers clung to the hope that the federal government would intervene to limit shoe imports — which now account for 70 percent of the American market — and perhaps restore some of their jobs. But last week the International Trade Commission ruled that America's shoe industry was making reasonable profits and de-

Staff photo by Nancy Pierson

Carol Haines of East Wilton with her son, Reggie, 14. "You're not the same person when you are unemployed," she says.

The ITC noted that America's shoe industry is the major importer of shoes. Many shoe companies have plants in South and Central America, Korea, Taiwan or India where workers are paid $5 to $6 an hour less than American shoe workers. G.H. Bass imports 40 to 50 percent of its shoes, a company spokesman said.

Maine's shoe workers, with the loss of their main employment source, have become as obsolete as pennies in a gumball machine. Lacking skills and education, they face the same fate Midwest steel and auto workers have in recent years. Moreover, two-thirds of the shoeworkers are women and one-third of the men and women are over 50.

Displaced shoe workers speak bravely of "finding something soon." But as time passes, and unemployment benefits run out, many will face the dreaded prospect of moving to find work elsewhere. For many, that reality just won't sink in.

Milton Seekins, 52, of Wilton, worked at Livermore Shoe for the last six years. He was "bumped" out of work by a Farmington worker last September when the plants consolidated. Before moving to Wilton, Seekins had worked at Lighthouse Footwear in Skowhegan. Stitching shoes is all he has ever known.

Seekins has no job prospects and is nearing the end of his unemployment benefits. His wife would work but for her high blood pressure. His trailer payments are in arrears. He cannot find a buyer for his cottage on a nearby pond. Since September he has spent his days "dubbing around the house," looking for work and trying not to think about the future.

"We're not having much luck," says Seekins. "There's nothing out there in my trade. I don't know what to think. It's a depressing time."

The pain is often self-inflicted, but certainly reinforced by the way Americans view the unemployed. America was built on the work ethic, after all. If they aren't contributing, they can't be worth much, the saying goes. It is just a matter of time before nerves, wound tighter and tighter like guitar strings wearing thin, strain from the beating.

"They feel useless and heatless," says Mary Elwell, job developer for the Mountain Valley Training Center in East Wilton. "They actually feel that if they had worked harder, they would still be there."

According to Ms. Elwell, who conducts workshops for the displaced workers, the first thing they must do is face the loss of their jobs squarely — as they would the death of a loved one.

"They live with the hope that it didn't happen," she says. "They don't want to believe what everyone knows is true."

But even then, displaced workers have trouble coping. At home, without the support of friends, they lack the energy and the drive to find a new direction for their lives. The more they sit, the more useless and isolated they feel. The frustration often strains marriages and can lead to drinking problems.

"I'm lucky I stopped drinking 11 years ago," says Lloyd Doucette, of Rumford. "Otherwise I'd be drinking morning, noon and night."

Doucette lost his job with G.H. Bass four weeks ago. He "doesn't do much" these days. He is bitter that the company shifted him around the past five years, so he failed to gain any seniority. At the age of 53, Doucette has no idea what he will do. His wife's income makes his plight less urgent than some. Without that, they would surely lose their house, he says.

* * *

There are jobs out there but they are no longer just up the road. The sad truth is many work-

Lewiston, Portland or other states to find them. Most displaced shoe workers are reluctant to move. Of 12 people in one of Mountain Valley's recent workshops, only two were willing to drive to Lewiston for an interview. For some, a move means giving up a spouse's job. For others, it means leaving family.

Jim and Patricia Taylor grew up in Rumford and don't want to leave town. They are one of 50 to 60 estimated couples laid off by the shoe shops.

Mrs. Taylor began working at Ross the day after she graduated from high school. She expected to be there, between children, for the rest of her working life.

"We tried moving away to New Mexico a few years ago. I was all for it. I didn't want to spend my whole life in Rumford," Mrs. Taylor says. "But we were back in two months."

The Taylors have two children, J.T., 3, and Matthew, 7 weeks. The couple worked at Ross for six years and were living comfortably on $800 a week. Now, Matthew's baby formula, at $2 a bottle, uses up both children's $8 unemployment insurance food allowance in less than a week.

They pay $400 a month to continue medical insurance with Ross. When that option expires in November, they will have no safeguard against doctor's bills. And they are eating up their savings quickly, Mrs. Taylor says.

Like many former shoe workers, the Taylors want to find something more stable than the shoe business. But, despite last week's ITC ruling, many shoe workers still hope for government relief. Maine's congressional delegation introduced bills into both the House and Senate after the ITC ruling that would limit foreign shoes to 20 percent of the American market. But they admit their battle is all uphill.

Other workers like Lloyd Dondero still have tremendous faith in the government. They blame the current dilemma on Ronald Reagan and feel sure a Democratic administration would turn things around for shoeworkers.

"The government has to do something," says Don Webber of Rumford. "If they don't, they are destroying what this country was built on."

Yet there are a steady stream of "For Sale" signs on front lawns all along the road from Wilton to Rumford to Livermore Falls. They prove many people have lost hope in the shoe industry and have accepted their fates.

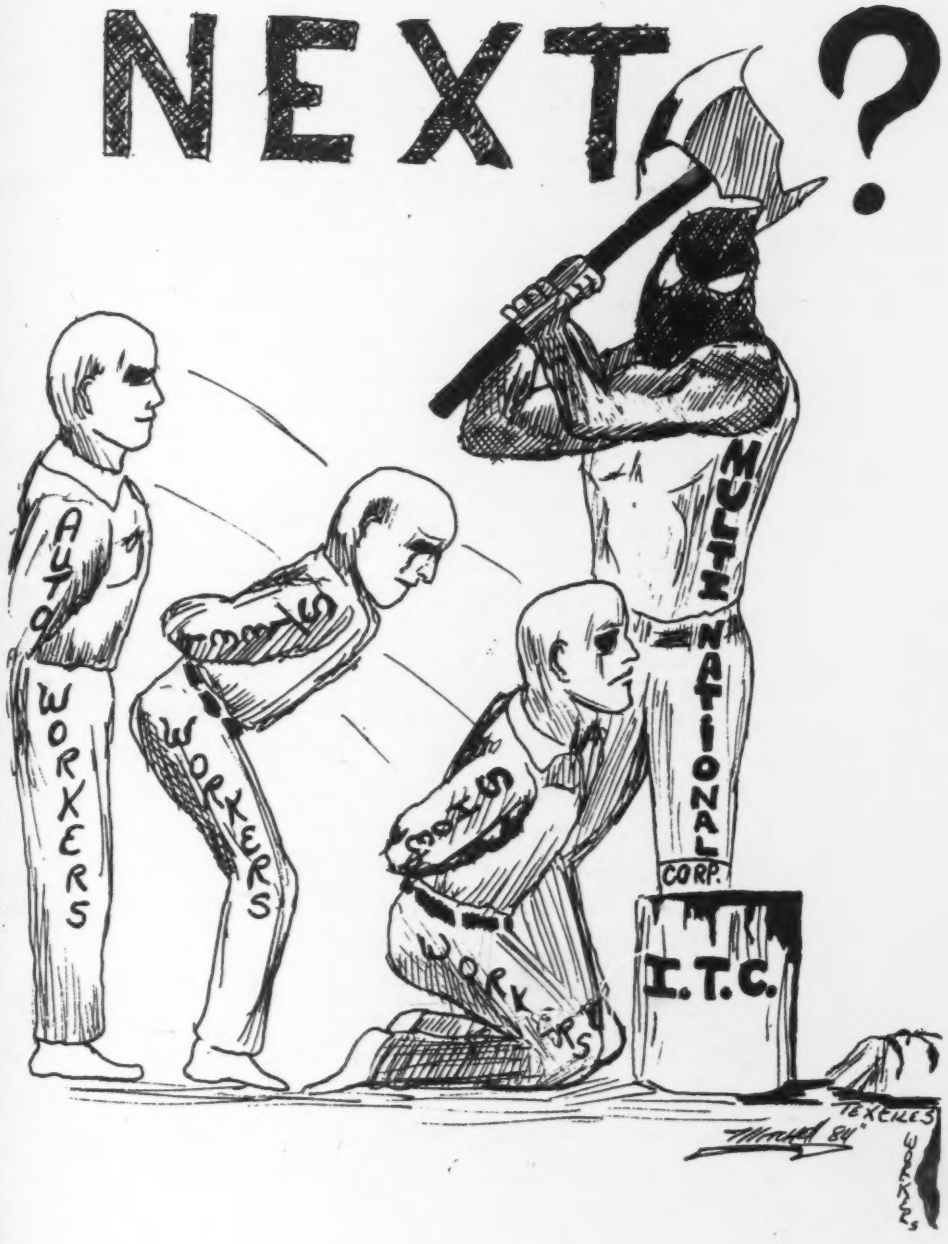
Some, like Joe Belanger of Rumford, are willing to move but are waiting until the Trade Readjustment Assistance program begins making payments. That program, which was recently extended to Farmington Shoe and G.H. Bass workers, provides an extra 16 weeks of unemployment benefits and a maximum of $800 in relocation money to displaced shoe workers.

"There's nothing here," says Belanger. "We just bought a trailer, but if the government can help me move it, I'm going for it. I've got to get out."

Belanger, 39, has not yet been laid off by Ross. Yet he is determined to find a job no matter where it is. He drives to his job most mornings at the Rumford plant, only to find little work to do.

He knows when the plant makes further cuts later this year, he will join hundreds of Ross workers on the unemployment line. He has worked at the plant for six years. Like his fellow shoe workers, Belanger is bitter, angry and worried about the future.

"I'll be 30 in nine months and it's scary," he says. "I can't stay home and turn into 'Mr. Mom.' It's not a manly thing. Being unemployed affects everything — the way you feel, the way you look, the way you live."


NEXT?
AUTO WORKERS
STEEL WORKERS
RUBBER WORKERS
MULTI NATIONAL CORP.
I.T.C.
TEXTILES

The Volume Retailers say they are worried about cost to the consumer if imports are cut down on. But has anyone pointed out that whether the domestic market lives or dies the retailer will not be affected. The fact is that the more shoes that are imported the larger the profit the retailer can make. American shoes in fact create competition for retailers who would prefer to only import. When our market is totally foreign it will not be a consumers market, what it will be is a foreign shoe makers' and domestic retailers market. The consumer will then be forced into the situation of having to pay whatever price retailers want in order to have shoes.

Why do I say that American Shoes keep the price of shoes down? You saw in our presentation the Timberland Shoe and the Sebago Shoe. The American made shoe sells for $12.00 less than the Timberland shoe which is substantially made overseas. The shoes were identical. Except, if you looked closely, you notice the stitching was much better on the American made shoe. It will last better as well.

Look over the chart on the next page. It shows the labor costs of making shoes in the U.S. and the cost in countries with which we compete. It also shows the the cost of making uppers in the U.S. and the cost of making them overseas.

Congress should pass this bill and at the same time it should do an examination of how much profit retailers make on the consumer. If they were really concerned would they mark up the prices so much?

We would like to add that we are consumers. Every worker is a consumer. If we do not buy each others products first, no one will have the money to buy anything. Then no one will have a job!

We feel that to ask for 50% of our own market is not unreasonable. We are not asking that imports be stopped altogether. There will still be cheap shoes available for the poor.

To give us fifty percent is to make it possible to maintain our workforce of 233,000 in shoes and related in industries. It would also mean the reopening of factories and the hiring of people presently unemployed. It would cut down on the number of poor by making available jobs for them.

To illistrate the difference between the number of workers needed to import and the number needed to make shoes domestically. There is a factory in Lewiston that a few years ago made their own shoes and employed 600 people. Now they are totally importing and employ 8.

On a nation wide basis the comparison is easily drawn. From this analogy we will allow you to draw your own conclusion as to how many of the 233,000 people presently employed will still have a job when shoes are a totally retail market.

	Upper Cutting Room	Lasting Operation	Completed Shoe — Labor Savings in Foreign Markets: Foreign Labor	Maine Labor	Savings	Completed Upper — Labor Savings in Foreign Mkts.: Foreign Labor	Maine Labor	Savings
Caribbean Basin (30¢ per hour) .005 per minute	.13	.016	.15	2.75	2.60	.13	2.45	$2.32
Korea (90¢ per hour) .015 per minute	.39	.048	.44	2.75	2.31	.39	2.45	$2.06
Taiwan (1.46 per hour) .024 per min	.13	.077	.71	2.75	2.04	.63	2.45	$1.82
Brazil (1.00 per hour) .017 per min	44	.055	.50	2.75	2.25	.44	2.45	$2.01
Japan (4.59 per hour) .077 per min	2.08	.25	2.33	2.75	.42	2.08	2.45	$.37
Hong Kong (1.68 per hr) .028 per min	.73	.09	.82	2.75	1.93	.73	2.45	$1.72
Maine Average (5.65 per hour) .094	2.45	.30		2.75		2.45		
U.S. Average (6.65 per hour) .11 per min	2.88	.35						
[illegible]			Labor Savings in Foreign	Maine – Foreign = Savings		Maine – Foreign = Savings		

SEBAGO

Sebago, Inc.
Westbrook, Maine, U.S.A. 04092
Telephone 207-854-6474
Telex 944358

November 1982

SUBJ: COST INFORMATION ON OPERATIONS PERFORMED IN THE U.S.A.

OPERATION	TIME 12 PAIRS	TIME 1 PAIR	COST 12 PAIRS	COST 1 PAIR
1. Wet uppers.	5.42 min	.45 min	$ .42	$ .04
2. Forcelast.	2.50	.21	2.62	.22
3. Cement bottoms.	2.15	.18	.29	.02
4. Cement soles.	3.11	.30	.42	.04
5. Press soles.	6.31	.53	.69	.06
6. Pull lasts.	3.44	.29	.37	.03
7. Littleway stitch.	5.00	.42	.60	.05
8. Inspect.	3.60	.30	.26	.02
9. Clean & condition.	4.92	.41	.48	.04
10. Pack.	2.20	.18	.12	.01
TOTALS	38.65 min	3.22 min	$ 6.27	$ .52

SEBAGO

Sebago, Inc.
Westbrook, Maine, U.S.A. 04092
Telephone 207-854-6474
Telex 944358

November 1982

SUBJ: COST INFORMATION ON DRESS TUBULAR MOC

The following figures are submitted on the basis of the piece price rate structure of the identical operations at SEBAGO, INC. in Westbrook, Maine.

OPERATION	COST 12 PAIRS	COST 1 PAIR
1. Put up work.	$ .11	$ .01
2. Cut upper.	2.87	.24
3. Cut lining.	.20	.02
4. Cut counter pocket.	.26	.02
5. Inspect uppers.	.16	.01
6. Mark upper.	.42	.04
7. Mark lining.	.19	.02
8. Stitch counter pocket to lining.	1.10	.09
9. Cement vamp lining to upper.	1.00	.08
10. Case up (after skiving, in stitching room)	.27	.02
11. Stamp lining.	.25	.02
12. Die out vamp.	.25	.02
13. Die out tip.	.29	.02
14. Skive tip.	.33	.03
15. Cement tip lining to tip.	.37	.03
16. Close backstay.	.22	.02
17. Tape backstay.	.25	.02
18. Skive backstay.	.17	.01
19. Stitch backstay to vamp.	.97	.08
20. Die out saddle.	.13	.01
21. Skive saddle.	.25	.02
22. Fold saddle.	.29	.02
23. Stitch in ornament.	.40	.03
24. Top stitch tip & trim lining.	.62	.05
25. Stitch on gore.	.43	.04
26. Split binding.	.07	.01
27. Stitch on binding.	.99	.08
28. Inspect.	.16	.01
29. Sew tip to vamp.	32.70	2.73
30. Sew saddle to vamp.	2.28	.19
TOTALS	$ 48.00	$ 4.00

SEBAGO

Sebago, Inc.
Westbrook, Maine, U.S.A. 04092
Telephone 207-854-6474
Telex 944358

November 1982

SUBJ: COST INFORMATION ON HAITIAN "TRU-MOC"
(Sperry Topsider MP-991)

The following figures are submitted on the basis of the piece rate structure and the timed labor value of the identical operations at SEBAGO, INC. in Westbrook, Maine

The times designated for each below operation are represented in full minutes and one-hundredths of a full minute.
EXAMPLE: 1.25 minutes = 75 seconds.

Costs listed below include:

1. Base rate (minimum wage)
2. Incentive rate (piecework)
3. Any premium pay

OPERATION	TIME 12 PAIRS	TIME 1 PAIR	COST 12 PAIRS	COST 1 PAIR
CUTTING				
1. Sort leather & put up job.	1.25 min	.10 min	$ .11	$ .01
2. Prepare schedule, take dies from rack; Cut 12 pairs of uppers.	26.40	2.20	2.75	.23
3. Inspect cut pieces.	5.60	.47	.44	.04
SKIVING				
4. Mark vamp for backstays & collar.	2.60	.22	.33	.03
5. Bevel vamp.	1.09	.09	.11	.01
6. Bevel tip.	1.21	.10	.12	.01
7. Die out tip.	1.45	.12	.18	.02
8. Die out vamp.	1.60	.13	.19	.02
9. Split backstay.	.72	.06	.09	.01
10. Split eyestay.	1.32	.11	.16	.01
11. Skive collar.	3.65	.30	.32	.03
12. Case up shoes.	.55	.05	.07	.01
13. Stamp linings.	1.11	.09	.16	.01

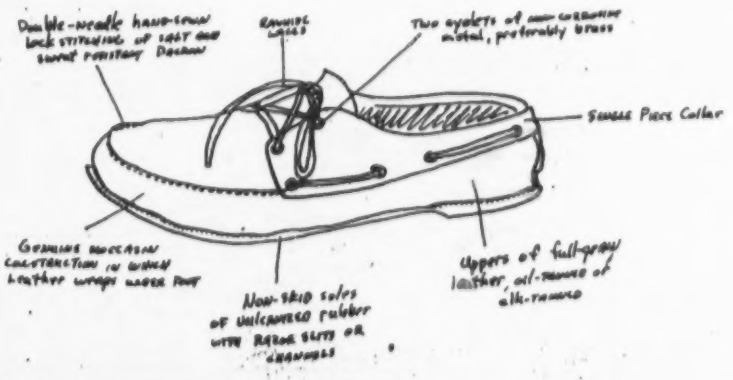
COST INFORMATION ON HAITIAN "TRU-MOC"
Page 2

OPERATION	TIME 12 PAIRS	TIME 1 PAIR	COST 12 PAIRS	COST 1 PAIR
STITCHING				
14. Cement backstays to collar.	3.60 min	.30 min	$ .28	$ .02
15. Die out eyestays.	1.90	.16	.13	.01
16. Stitch collar together.	2.35	.20	.27	.02
17. Eyelet collar.	2.40	.20	.31	.03
18. Stain collars.	.90	.08	.05	.01
19. Lace collars with rawhide laces.	9.60	.80	.99	.08
20. Edge stitch collar.	4.85	.40	.69	.06
21. Close heels.	2.04	.17	.22	.02
22. Rub heel seam.	.95	.08	.09	.01
23. Stitch on backstay.	2.59	.22	.29	.02
24. Stitch on collar.	5.61	.47	.75	.06
25. Rub down collar seam.	2.85	.24	.33	.03
26. Top stitch collar.	12.15	1.01	1.41	.12
27. Pre-cement vamp.	1.19	.10	.14	.01
28. Pre-cement tip.	.82	.07	.10	.01
29. Inspect.	2.15	.18	.18	.02
PREPUNCH ROOM				
30. Set up tack & tack shoes.	16.86	1.41	2.41	.20
31. Handsew 12 pair.	118.68	9.89	14.48	1.21
32. Inspect.	4.80	.40	.35	.03
33. Handsew 12 pair heels.	60.00	5.00	4.80	.40
34. Rub seam pull tacks.	4.46	.37	.37	.03
35. Pull lasts.	2.64	.22	.25	.02

TOTALS:	TIME 12 PAIRS	TIME 1 PAIR	COST 12 PAIRS	COST 1 PAIR
CUTTING	33.25 min	2.77 min	$ 3.30	$ .28
SKIVING	71.25 min	5.94 min	$ 7.96	$ .69
PREPUNCH ROOM	207.44 min	17.29 min	$ 22.66	$ 1.89
	311.94 min	26.00 min	$ 33.92	$ 2.86

THE ESSENTIAL BOAT Mc

Paul Sperry's terrier started a trend that v


Double-needle hand-sewn lock stitching of vamp and sewn moccasin bottom
Rawhide laces
Two eyelets of non-corroding metal, preferably brass
Seamless Piece Collar
Genuine moccasin construction in which leather wraps under foot
Non-skid soles of vulcanized rubber with razor slits or channels
Uppers of full-grain leather, oil-tanned or alk-tanned

Much as the L.L. Bean boot has become standard issue for Maine (and Manhattan) winters, the classic boating moccasin has become the essential footwear for Maine summers. The best moc is The Right Stuff.

Once exclusively made for the maritime trade, the boating moccasin has entered the casual shoe market with a vengeance. Industry estimates say that as many as 90 percent of the boat moes sold today will never see sea duty. But whether for dock or dry land, the boat moc is in demand in a market that moccasin makers estimate is growing from 15 to 20 percent a year.

In one day of shopping around Freeport outlets and greater Portland retail stores, I identified more than 20 different brands of boat shoes ranging in price and quality from the sturdy Timberland version at $59.95 to a ladies' Taiwanese knock-off at a mere $15. In between I inspected everything from Sebago Docksides and Sir/Gal Fore 'N' Afts to Dexter Sea Dex and Thom McAn Skippers. All this in a market that once belonged almost exclusively to the granddaddy of all boat mocs, the Sperry Top-Sider.

According to a tag I found in a box of Top-Siders at Jordan Marsh, the boat moc was originally designed in 1935 by yachtsman Paul Sperry. According to Joan Quenneville, a spokesperson for the Sperry Top-Sider division of the Stride-Rite Corporation in Cambridge, Mass., what yachtsman and naval architect Sperry actually designed in the 1930s was the razor-slit squeegee rubber sole which he originally attached to a canvas oxford, not a leather moccasin. The inspiration for the non-skid sole, so the story goes, came to Sperry as he watched his pet terrier race around the wet docks of the yacht.

Upon inspecting the dog's paws, Sperry reasoned that the terrier achieved its remarkable footing by virtue of a system of slits or fissures that displaced water and created areas of suction. Eureka!

For many years, the Top-Sider, the Xerox of boat mocs, was synonymous with boat shoes. The useful, comfortable, casual design found its way from the yacht club to the prep school on to the college scene and from there into the wider world where it has become a fashion staple. And though Top-Sider is still No. 1 in boat mocs, several competitors have made significant inroads on the market and created new markets in recent years.

Five years ago, the Timberland Company, bootmakers of Newmarket and Portsmouth, N.H., decided to enter the boat shoe competition. While other competitors had tried whittling away at Sperry from beneath with lower prices (and often lower quality), Timberland decided to shoot over the Top-Sider with higher quality mocs at prices $10 to $20 above the Sperry line. The play seemed to be working.

While shoe manufacturers are loathe to release production or sales figures, the conventional wisdom in the moc market has it that Sperry is No. 1 with Timberland now No. 2 and Sebago of Westbrook, Maine, No. 3. Ted Almy, director of advertising at Timberland, says that based on informal market surveys, Top-Sider has 40 percent of the market, Timberland has 20 percent, Sebago has 13-14 percent, the other premium moccasin makers (like Dexter and Quoddy) have 10 percent combined, and the rest of the market belongs to cheap imports.

The current brag at Timberland (a claim they feel they have substantiated enough to use in a new television promo) is that the Timberland boat moc is the only one made with waterproof leather. Waterproof, better leather and features like a bonded midsole for wear and stability all add up to a pricier premium moc from Timberland.

Timberland detractors, of course, will point out that Timberland mocs have pre-punched holes for hand-sewing (true hand-sewn shoes are stitched through holes made one at a time with a hand awl) and that the boat mocs are all made in Puerto Rico, not New Hampshire. (Timberland's New Hampshire factory makes waterproof boots.)

And in a state where as many as 10,000 jobs have been lost to overseas labor and imported shoes, Maine moccasin makers are quick to point out that top dog Sperry makes all its Top-Siders in Haiti now. Several Maine firms (none of which was interested in being identified) used to make Top-Siders for Sperry.

Sperry officials referred the question of where Top-Siders are made to Stride-Rite general counsel Marcia Chautier. She told me "some components are hand sewn in Haiti" but Top-Siders are "deemed to be made in the United States" because they "undergo substantial transformation" in this country. Top-Siders are "bottomed and finished" in Stride-Rite's domestic plants.

In a shoemaking state like Maine, the boat moc consumer is faced with a great many local options. Sebago, Quoddy, Dexter, Bass, and L.L. Bean are probably the best known Maine names in moccasins, but there are also the smaller companies like Sir/Gal of Brunswick which makes top quality Fur 'N' Aft, Eastland Shoe in Freeport, Arno

2-3

nt to land

Moccasin in Lewiston, Rumada Moccasin in Greene, and Livermore Shoe in Livermore Falls that makes the conventional Maine Woods boot shoe.

Sebago in Westbrook is Maine's largest boat shoe manufacturer and in some ways the most serious. This year Sebago is sponsoring Yarmouth bootbuilder Walter Greene's entry in the Observer Singlehanded Transatlantic Race (OSTAR). Yet despite being No. 3 nationally, Sebago moos are not as visible in Maine as are some of their competitors. That is probably because Sebago does not operate factory outlet stores. Bass and Timberland both market factory seconds all over the region. Quoddy sells first quality factory direct from its outlet stores. And you can hardly get on or off I-95 any longer without passing a Dexter outlet.

The problem of selection is compounded by the fact that many companies make moccasins under a number of labels. Traditionally, shoe companies are extremely reluctant to disclose sources (who really make their shoes) and the sources (make-up houses) are honor-bound not to reveal what labels they manufacture for. Confidentiality is maintained in hopes of not alienating consumers. As one Maine shoe executive, whose company used to make Top-Siders before Sperry went off-shore, put it, "Consumers can get upset. You know like a few years ago when it was made public that some Oldsmobiles had Chevy engines in them."

Perhaps the biggest surprise of my boat moc shopping was learning that "Boaters by Bass" are actually made by Quoddy, not the G.H. Bass Company. Eastland, which primarily markets its own brand, also makes private label boat mocs for shoe store chains like Thom McAn and Baker Shoes. Arno Moccasin does not have its own brand name, but at one time or another has made boat mocs for most of the major labels.

Rumada, once exclusively a private label make-up house, has only recently gone "branded," marketing its own moccasin under the name Maine Docks. A Maine Docks outlet is scheduled to open this month at the Trenton Trading Post. Rumada will continue, however, to make boat shoes for the Dunham's of Maine chain and for Cole-Haan.

Cole-Haan, known primarily for expensive dress shoes and fashion casuals, puts the accent on fashion rather than function in marketing its Rumada-made boat moc. Cole-Haan moc come in a wide range of colors (Newport blue is big this season) as well as two-tone and tri-tone (How about turquoise, pink, and bone?) models. Cole-Haan even made up a special order of black and orange boat mocs for the Princeton University bookstore.

All of which raises the question of just what a boat moccasin should be. The upscale Timberland innovations aside, my understanding of boat moc materials and construction came primarily from Sebago vice president for quality control, Dick Anesis. To begin with, my own prejudice is that boat mocs should be brown. Anesis explained that the basic boat shoe brown is known generically as "oak brown," a shade Sebago calls Durango Tempest.

Uppers should be of genuine moccasin construction, meaning that the leather wraps all the way under the foot. A great deal of emphasis is placed on hand-sewing as distinguishing the premium moccasins with hand-sewn mocs generally being more expensive, but many manufacturers market both a machine-stitched and a hand-sewn boater. I seriously doubt that most of us would notice the difference.

In looking to buy a "classic" boat moc, you want to be sure you're getting a two-eyelet (preferably brass) version with rawhide laces. You may also want to look for one-piece collar (the portion of the leather upper that contains both sets of eyelets and wraps around the heel) construction as a sign of quality. Some moccasin makers use two or three-piece collars in order to make more economical use of their leather (using smaller pieces means less to throw away), but quality shoe makers argue that a two piece collar just means another seam that may potentially give way.

Of course, what initially distinguished the boat moc was the non-skid sole, and in particular, the unique tread design. Most manufacturers follow the Sperry system of razor-slits, or sipes. Sperry promotional literature emphasizes that the slits in the Top-Sider sole are individually cut by hand (apparently for the sake of precision) rather than gang-cut by machine. Sebago has abandoned the razor slit concept altogether, preferring a system of wavy channel slots for a bottom.

In its November, 1981, issue, *Motor Boating & Sailing* magazine published the results of a lab test of boat shoes for traction. The test consisted of placing a 98 pound woman and a 180 pound man (separately) on a variety of wet and dry, wood and fiberglass, surfaces and then tilting the surfaces to measure the angle at which the subject's boat shoes slipped. Bean, Sir/Gal, Sperry, Sebago, Cole-Haan, and Sea Trace (a Chicago brand I did not find locally) were tested, but the results seemed inconclusive to me.

"For sheer holding power on wet, smooth fiberglass Sperry and Sir/Gal came out on top," concluded *Motor Boating & Sailing*. "On wet, non-skid fiberglass Sea Trace' Deckmaster gave an impressive performance, and on dry surfaces all shoes tested in the same range."

Most boat shoes slipped somewhere in the 40-50 degree tilt range, but what I would have been more interested in was knowing how boat shoe soles stacked up against, say, bare feet or street shoes. Since most of us don't spend much time on a wet deck and 90 percent of all boat shoes are sold to landlubbers, the debate over traction would seem to be academic.

I suspect that most of us buy a particular brand of shoe not because of performance or quality, but because of more realistic considerations like snob appeal and product loyalty. Take my own case for example.

I need a new pair of boat mocs, but I'm unable to make up my mind.

I suppose that the Timberland moc is structurally superior (it looks the sturdiest anyway), but I've never in my life spent $80 for a pair of shoes. I guess I could buy Timberland factory seconds ($30.00) at one of their outlets, but then I really want to buy a Maine-made moccasin.

Because I was brought up in Westbrook and I've owned Sebago moos before, I'm leaning toward Docksides, but then they're up there in the $60 range. I'd buy Sebago seconds in a minute, but they don't have factory outlets. I live in Yarmouth now, so I suppose I ought to consider Cole-Haan which has offices here. Then again, I have some good friends at L.L. Bean and I've generally had good luck with their merchandise. Skill, if I listened to my pocketbook, I'd probably go to Dexter for some Sea Dex ($30.00). That way I might even be able to get two pairs of Sebago literature recommends (not just to sell more shoes, but to let one pair "rest" while the other works).

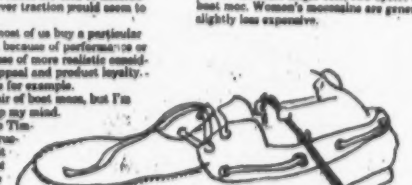
Oh heck, I'll probably just try to squeeze one more season out of the broken-down Bean boaters I have. Sorry if I'm not much help.

Text and illustration
by Edgar Allen Beem

Boat moccasin price run-down

Timberland	$60.95
* Sebago Docksides	52.95
Sperry Top-Siders	51.00
* Sir/Gal Fore 'N' Aft	48.95
* L.L. Bean	41.95
* Casco Bay Trading Post	40.95
* Maine Docks (Rumada) - range	40.00
Allan Temple (Portocus)	39.95
Hanover Hand-sewns	39.95
Sears store brand	39.99
* Quoddy	36.95
* Eastland	36.00
Evergreens (Lamey-Wellehan)	36.00
Frye	35.00
* Bass (Quoddy)	34.99
* Cole-Haan (Rumada) - on sale	34.95
* Dexter Sea Dex	30.90
Thom McAn Skippers	29.99
Kinney store brand	29.99
* Maine Woods	26.99
Baker store brand	25.99
Shoe-Offs (Taiwan)	15.00

* Denotes a Maine product. Prices generally are for the basic single-sole, two-eyelet men's boat moc. Women's moccasins are generally slightly less expensive.



SHOE
WORKERS
SOME TIMES THE DRAGON WINS!!!
MITCHELL BY - JUNE 19

Maine Sunday Telegram

World debt crisis worse

Who's feeling the crunch?

By David Beech
The Associated Press

Here is how the world debt crisis is affecting the main participants:

The debtor nations

The debtor nations feel that they are being squeezed to death by rising interest rates set by banks, by the restrictive economic policies imposed by the International Monetary Fund and by protectionist trade policies of the industrial countries.

Some, such as the newly elected democratic government of Argentina which took over from a heavy-spending military regime, have austerity debts they had no hand in creating and they feel they need some extra consideration.

American business

American exporters have been hard hit by the debt crisis in Latin America. Big debtor countries such as Brazil, Mexico and Venezuela, which are also important customers for American companies, have had to cut back on imports as their foreign exchange reserves dwindled and their credits shrank.

According to the U.S. Commerce Department, American exports to Latin America declined 42 percent from $38.6 billion in 1981 to $22.4 billion in 1983. The situation has not improved in 1984, a year in which the United States seems headed for a record $100 billion foreign trade deficit.

The U.S. Commerce Department estimates that every billion dollars in trade represents 25,000 American jobs, so that the 1981-1983 decline probably meant the loss of about 400,000 American jobs.

American banks

The massive withdrawals recently from the Continental Illinois in Chicago created an unseen crisis in the American banking system's protective armor.

The Federal Deposit Insurance Corp., the U.S. government agency that insures most American bank accounts, last month bailed out the Continental Illinois to the tune of $4.5 billion. The refusal of Congress to authorize further funds for the FDIC's credibility if other major American banks should find themselves in similar difficulties. The FDIC's insurance fund now stands at about $30 billion, which represents only about 1 percent of all deposits in American banks.

Bank shareholders have even greater cause for anxiety than bank depositors. Shortly after the Continental debacle, for example, Manufacturers Hanover Trust of New York came under a cloud of rumors that drove its share price sharply lower. Manufacturers Hanover has $2.5 billion out on loan to the four biggest Latin American debtor nations, an exposure almost triple the value of its shareholders' equity.

And the FDIC, while acting quickly to safeguard depositors, has never shown any inclination to bail out bank shareholders.

Foreign banks

Some non-American banks are even more deeply involved in Third World debt than some of their U.S. competitors. Among these are Midland Bank PLC and Lloyds Bank PLC, two of Great Britain's major commercial banks, which are also the 16th and 22nd largest banks in the world. According to London establishment figures, Midland's exposure to Latin American debt is equivalent to 113 percent of the shareholders' capital. Lloyds' exposure is 240 percent of the shareholders' capital.

International monetary fund

The IMF acts as the world's financial policeman. When a debtor country gets into financial trouble and seeks assistance, the IMF draws up a plan to put the country's economic house in order. The plan usually includes a clampdown on government spending, curtailment of government subsidies and a cutback on wage increases — measures that inevitably are politically unpopular.

The problem for the IMF is that as the debt crisis continues the political repercussions become impossible to swallow — as in the Dominican Republic this past April. The IMF then loses a client. If it does enough to avoid this, it undermines the IMF's credibility among banks with all the other debtor countries.

The U.S. government

The alliance for Washington and particularly the U.S. Federal Reserve Board is that what is good for the United States is not necessarily good for the rest of the world. In its efforts to combat inflation at home, the Federal Reserve Board may raise U.S. interest rates. But while this may be salutary medicine for the American economy, it can also at the same time be lethal poison for the debtor countries, most of whose loans are tied to the U.S. banks' prime lending rate. Thus, when the U.S. prime rate rose from 11 percent in March to 13.5 percent in May, this alone meant a $5 billion increase in the annual interest bill for the world's debtor nations.

World debt crisis boiling into rebellion

Continued from first page this section

Bolivia, Bolivia's example, which he praised as "an act of national sovereignty," Argentina, whose foreign creditors shared $43.60 billion.

• The Bolivian decision was also closely watched in Brazil which owes close to $140 billion, in Mexico ($96 billion), in Venezuela ($36 billion), and in other Latin American nations whose unpaid foreign debt comes to about $400 billion.

THE Bolivian development caused jolted prices to plunge in New York, drove the U.S. dollar down on foreign exchange markets and further depressed the share prices of major American banks on the stock exchanges in anticipation of the next corporate earning woes ahead.

It also added still more headaches for the IMF, a 146-nation international organization that provides credit for needy nations. The IMF had proposed an economic austerity program for Bolivia — a plan that provoked bitter strikes by militant tin-mining Bolivian workers' unions.

Banks and other creditors in their own interests have been trying to reach agreement with the IMF on plans for policy programs as a condition for getting any new loans from the commercial banks.

The IMF's insistence on austerity programs for the debtor nations, which many regard as a ploy to protect creditors — the banks and governments — has come under increasing criticism in the Third World. One such example was the Dominican Republic, where the IMF's refusal to go along with austerity measures by raising food prices aided riots. The prices of some staples also had, coming close in April to which was then the IMF-imposed limit.

Where the IMF-imposed austerity programs have been adopted, the prices of gasoline have doubled, the prices of foodstuffs have skyrocketed by as much as 100 percent, and unemployment has risen to 20 percent or more. Other effects have been widespread disorders, and governments in power have been overthrown or severely shaken by the IMF austerity.

The result of the debtor countries' rejection of the IMF in the Dominican Republic, Bolivia and elsewhere in Latin America and elsewhere.

Then the over-all weakening of the economies of the debtor countries as a result of the sharply lower prices of commodities, including oil.

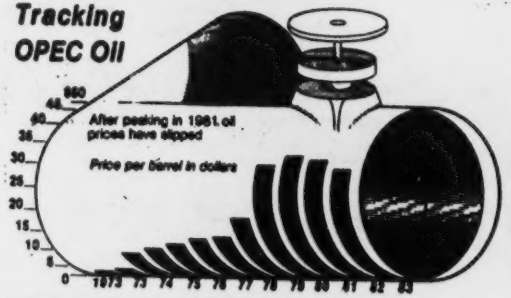
According to Irwin L. Kellner, chief economist of Manufacturers Hanover Trust Co., "The prices of all raw materials showed relatives to the great majority of commodities worldwide."

But Kellner, whose New York bank is one of those most deeply involved in Latin American debt, says there is a chance for change coming about.

"The relative price trend of oil vs. other commodities has changed dramatically since the end of the U.S. recession in 1982," he notes. "Industrial raw materials, including oil, have declined in price relative to other goods and services. This is a key reason why the debt problem has become more acute. Many countries borrowed heavily in the 1970s when the prices of their exports were relatively high. Now the prices of their exports are relatively low. It takes more exports to pay off debts incurred in dollars."

The growing crisis could not be laid at the feet of the banks alone, Kellner says, and their demand for changes in the policies of the debtor countries is only natural. Many of the loans made by the banks were for projects that would not be profitable for years, and the banks have been willing to wait.

"The only country so far in the U.S. ...



Oil will be the critical factor

...

JUNE 16, 1984

TAIWAN ADOPTS LAW CURB UNDERPRICED IMPORT

Taiwan adopts law to curb underpriced imported goods

Associated Press

TAIPEI – Taiwan has adopted an antidumping law to prevent foreign countries from selling goods in Taiwan cheaper than in their own domestic markets, the government announced yesterday.

Government officials said the law, approved by the Cabinet Thursday, would take effect immediately.

The law, they said, was intended to protect local industries that might be threatened by imports resulting from Taiwan's move to lower import taxes and relax domestic market restrictions.

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This is an example of what foreign governments do for their manufacturers and workers to protect their domestic market. We are only asking for equal concern from our own government for its workers and industries. Taiwan is protecting itself from "Caribbean Basis", Korea, Brazil, and other third world nations with wages sub-standard to theirs.

B & F INTERNATIONAL ASSOCIATES

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TO: U.S. SHOE MANUFACTURERS.

SUBJECT: A WAY OUT! To what is happening to the Shoe Industry in the U.S.

1)	Imports:	61.5% of the total U.S. market is imported from overseas.
2)	Bankruptcies:	18% of U.S. Companies have gone into bankruptcy or voluntarily closed.
3)	Employment:	14000 out of work in Pennsylvania. 2000 out of work in Maine. Etc. across the United States.
4)	Mfg. Costs:	Skyrocketed, due to increased labor, overhead, utility, etc. costs.
5)	Competition:	U.S. manufacturers are not able to compete with imported products.
6)	Sales:	U.S. mfd. products down 25% to 26%. Imported product down 4% to 5%.
7)	Profit Margins:	Minimal or none on U.S. made products.

THIS MAY SOUND!!!!!!!!!!!!!!!!!!

* Immediately take advantage of the low labor rates ($2.64-$3.00 per day) and the high quality of workmanship and expertise in Haiti.

** At absolutely no cost to you, we will setup your product in Haiti and follow-up to insure that you get the product you want, when you want them, at the lowest cost in the world. We have experienced shoe manufacturers available now.

*** Follow the route of others now in Haiti who have gained a competitive edge over importing from the Orient. Namely; Cardinal, Stride Rite, Depezio, Bowrich, U.S. Shoe, and others.

**** Haiti is 3½ hours away by air and 3 days by sea.

Let me show you how easy it is to do business in Haiti and the economics and benefits to be derived. Call me at (201) 933-9406.

Respectfully,

Edward J. Berry, President

EJB/rm

Reagan's Trade Plan Takes Hold In Caribbean

Lower duties, Uncle Sam's hard sell have the program off to a quick start as firms invest in nearby countries.

In effect less than five months, the Reagan administration's Caribbean flasin Initiative is beginning to show signs of boosting private investment and trade in that perennially poor region.

At least a dozen U.S. companies are moving into the Caribbean, and hundreds of others are mulling over potential projects. At the same time, local entrepreneurs are expanding to take a crack at the U.S. market, helping some countries double their exports to the U.S. in the past year.

The CBI's first hints of success come in a variety of industries. MacGregor Sporting Goods of East Rutherford, N.J., will employ 200 workers to make basketballs in Haiti. Other projects may add 800 more jobs in the next year.

Minneapolis's Control Data Corporation is setting up a subsidiary to export technology and educational services.

On Grenada, where last year U.S. troops ousted a leftist regime, California accountant Ben Vernazza hopes to employ 200 workers packaging nutmeg in a "Spice Island" cooking kit for U.S. customers. The White House is keeping track of 14 other firms with plans to invest 22.8 million dollars in various projects on Grenada. Total jobs expected: 1,620.

The new activity is not limited to American companies. Carrimed, Ltd., a new British company in Barbados, is getting ready to make medical supplies for export to U.S. hospitals.

Special treatment. The CBI, approved by Congress in July, went into effect on January 1 and now offers trade concessions, aid and tax breaks for 20 nations. Its centerpiece is a one-way free-trade zone that gives a wide range of Caribbean goods duty-free entry into the U.S. for 12 years. American goods still pay tariffs when sold in the Caribbean region.

President Reagan and other supporters hope the CBI will yield long-term gains in jobs and economic growth for the Caribbean. Already, it is helping deliver a quick benefit: An end to the slide in Caribbean trade with the U.S.

The Commerce Department reports that the CBI, a strong dollar and a healthy U.S. economy boosted the region's January and February sales to the U.S. to nearly 1.8 billion dollars this year, up 35 percent from the first two months of 1983. More important, some countries expected to benefit a lot from the CBI—Barbados, the Dominican Republic and Jamaica—are showing export gains of 100 percent or more.

One reason for the CBI's auspicious start is a hard sell by Washington. A series of Commerce Department workshops has visited 10 Caribbean and U.S. cities in the past six months. It will touch down in at least eight more cities by the end of June. Federally funded programs at the chambers of commerce in Chicago and New Orleans are trying to drum up trade and investment for the region. One success: La Preferida Products, a Chicago company, is now importing fresh fruit and vegetables from Costa Rica and the Dominican Republic.

A woman lays nutmeg husks out to dry on Grenada in the Caribbean. An American firm is packaging spices there for sale in the U.S.

All of this shows a renewed U.S. commitment to the region's economic development. More than anything else, that's catching the eye of U.S. firms.

"The message that's getting across is that the Caribbean is going to be a reasonable place to do business," says MacGregor Chairman Frederic Brooks.

It also has created a stir in the Caribbean. Two-day U.S.-government CBI seminars earlier this year drew 780 companies in San José, Costa Rica, and 300 in San Pedro Sula, Honduras. Many of the dollar-dependent countries are setting up agencies to push projects for exports to the United States. A big part of initial U.S. investment aims at paving the way for future development. InterNorth, Inc., an Omaha, Nebr., gas producer, has established an Applied Technology Center in Jamaica to gauge the potential for clients' ideas for Caribbean projects.

Control Data Caribbean Beam, launched in March, will put together joint ventures with local entrepreneurs to market American know-how on small business, education and training, and small-scale agriculture.

Less formally, MacGregor is teaching the ropes to companies looking into Caribbean output of products such as luggage, purses and slippers.

Shaving costs. Whether the plans can be translated into new plants will ultimately depend on lower costs. The tariff break is already helping. Harowe Servo Controls, a West Chester, Pa., maker of precision electric motors, is saving up to $3,000 a month on imports of parts from St. Christopher and Nevis. MacGregor will save up to $150,000 this year on its baseballs and softballs from Haiti.

In all likelihood, the biggest saving will come on labor. The Commerce Department says that hand labor can be hired for $3 to $4 a day in most Caribbean countries, well below the $40 a day that unskilled labor commands in the U.S.

The low wages create incentives for labor-intensive production. U.S. unions, which had opposed the CBI, fear the program will mean American workers will lose jobs.

In response, CBI supporters argue the Caribbean nations will get U.S. jobs that would have moved offshore anyway, probably to Asia. MacGregor is moving its basketball production from Taiwan to Haiti with no loss of U.S. jobs.

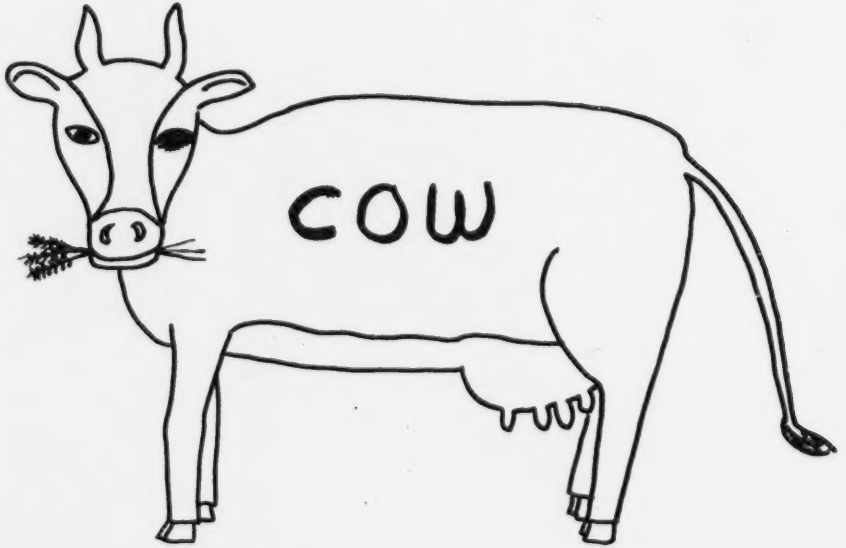
Caribbean production, moreover, can save U.S. jobs. West Point Pepperell, Inc., of West Point, Ga., lost a key customer to a Far East rival, but the company is keeping its New Braunfels, Tex., plant open by using its output to make shirts in Costa Rica.

The CBI's success will depend on getting more investment projects. Its ultimate payoff, however, is likely to be strategic: Helping alleviate the poverty that can serve as a breeding ground for revolution in America's back yard. □

By RICHARD AL AI

THIS IS A RAW MATERIAL!!!!

Shoe uppers, which account for 80 to 90% of the entire manufacturing process, should not be entering the United States as raw materials or components, virtually tariff free.



FIA

NONRUBBER FOOTWEAR INDUSTRY IN THE UNITED STATES

1984 FACT SHEET

HIGHLIGHTS

The Domestic Nonrubber Footwear Industry:

- is a 9 billion dollar industry at retail.
- employs about 133,000 people in direct manufacturing and provides about 90,000 jobs in supporting industries.
- accounts for over 1.3 billion payroll dollars in direct manufacturing; and
- has approximately 300 manufacturers operating over 700 plants in 41 states.

Impact of Imports 1968-1983

- Imports have increased 232 percent. They accounted for 64 percent of the U.S. market in 1983.
- Net decline of plants totaled 402 between 1968 and 1983.
- Employment plunged. Over 100,000 employees lost jobs in direct manufacturing alone.
- Imports of nonrubber footwear were 3.7 billion dollars of the record total U.S. trade deficit in 1983, or 6 percent.
- Production dropped by 301 million pairs in 1983 from 1968 levels. The current level of production is only 53 percent of 1968 levels.
- Since 1981, production dropped 8.3 percent; import share of the U.S. market rose to 63.6 from 51.0; and employment dropped to 132,700, the lowest level in the history of the U.S. footwear industry.
- In 1983 alone, imports increased 21.3 percent; import penetration reached 63.6 percent of the market, and imports jumped to 170.5 percent of U.S. production.

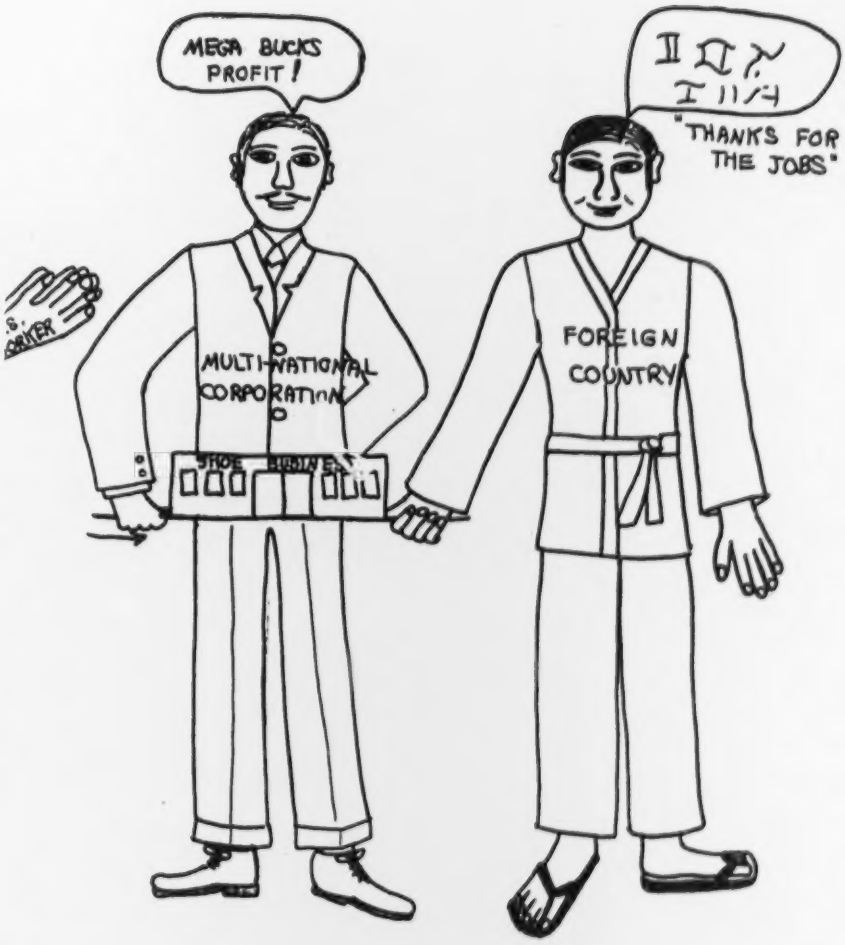
1. IMPACT OF IMPORTS

Year	Domestic Production (Million Pairs)	U.S. Imports	U.S. Exports	% Imports of U.S. Market	% Imports of U.S. Production
1968	642.4	175.3	2.4	21.5	27.1
1970	562.3	241.6	2.2	30.1	43.0
1972	526.7	296.7	2.3	36.1	56.3
1974	453.0	266.4	4.0	37.2	58.8
1976	422.5	370.0	6.0	47.0	87.6
1978	418.9	373.5	6.9	47.6	89.2
1979	398.9	404.6	9.3	50.9	101.4
1980	386.3	365.7	13.0	49.5	94.7
1981	372.0	375.6	11.2	51.0	101.0
1982	342.4	479.7	8.9	59.0	140.1
1983	341.2	581.8	7.5	63.6	170.5
% Change:					
1983/68	-46.9%	+231.9%	+212.5%	+195.8%	+524.5%
1983/81	-8.3%	+54.9%	-33.0%	+24.7%	+68.8%
1983/82	-0.4%	+21.3%	-15.7%	+7.8%	+21.7%

© Copyright 1984 by Footwear Industries of America

FREE FOR THE PICKING
SPAIN
TAIWAN
FREE MARKET
NO GUTTA

1977-1981
OMA
1985
1968
SHOES MADE IN U.S. 78.5%
1983+ ???
FREE TRADE AND GROWTH
JOB TREE


MEGA BUCKS PROFIT!
"THANKS FOR THE JOBS"
MULTI-NATIONAL CORPORATION
FOREIGN COUNTRY

HAVE FOREIGN
IMPORTS
GOT U.S.
OVER A
BARREL?

I'M THE ONLY THING LEFT THAT'S TRULY AMERICAN MADE!

MAINE PLANT CLOSINGS AND LAYOFFS
BETWEEN JUNE 1983 – MAY 1984

NORTHEAST SHOE	PITTSFIELD	300
PENOBSCOT SHOE	OLD TOWN	300
MELVILLE FOOTWEAR MANUFACTURING	BRUNSWICK	125
NIKE	SACO & SANFORD	300
FARMINGTON SHOE CO.	FARMINGTON	130
G.H. BASS	WILTON	28
G.H. BASS	NORTH JAY	250
G.H. BASS	RUMFORD	270
STRIDE RITE	LEWISTON	100
		1803

THE SUNDAY TELEGRAM
OCTOBER 25, 1953

Farmington mill closes, idling 130

FARMINGTON (AP) — About 130 people are without jobs as a result of the closing of Farmington Shoe Co.

Larry B. Lavoie would not say exactly what led to Friday's closing or how many employees would be affected.

"It's just the nature of the business," he said. Reopening "depends on what the outside business brings us. We're waiting for materials to come in so we can start cutting and stitching again."

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LEWISTON DAILY SUN
FRIDAY MAY 11, 1984

[redacted]

[redacted] OVER 100 LAID OFF A STRIDE RITE [redacted]

More Bass layoffs coming in Wilton

More layoffs at the G.H. Bass Co. of Wilton were confirmed last week, affecting as many as 28 workers in the sample department of the manufacturing company. It was not known how many of the 28 would be dismissed.

According to Bass personnel director Eugene Kessler, management of the company talked to workers in the sample unit Monday and "indicated we will be combining the samples department with the rest of manufacturing operations in Wilton." It is that move which brings the layoffs.

"What's going to happen," added Kessler, "is that during the next three weeks we will be going through the process of figuring out which people will go into which positions and determining when layoffs will occur. What we will be doing is reorganizing the department."

Bass, a wholly-owned subsidiary of Chesebrough Pond Corp., has laid off more than 700 workers in Maine and New Hampshire since Jan 1. Two Bass plants in North Jay and Rumford are shut down.

THE PORTLAND PRESS HERALD
TUESDAY, FEB 14, 1984

IN YORK COURT

Some may be temporary

Nike lays off 250 in York County

By RACHEL CHILDS
York County Bureau

SACO — Nike Inc., this city's largest employer, laid off more than 250 workers in Saco Monday from its Saco and Sanford plants. The facilities are the only subsidiaries of Nike running shoes in the country, a company official said.

A spokesman for the company, a publicly held firm in the manufacture of athletic shoes, said officials were uncertain how many of the layoffs would be permanent.

Richard Sullivan, company spokesman, said company officials wanted workers to know the company is "committed to Saco" but refused to comment further. Sullivan also refused to say why Nike decided to close its Saco plant, which employs 600 workers, while others in the state will remain open.

Sullivan said the layoffs are temporary, but added, "It's hard to say."

Sullivan was unable to [illegible] in the ventures [illegible] making the two [illegible] plants — Saco's with 1,[illegible] and Sanford's with 278.

"I can't tell how many it will affect just yet," he said. Although, he added, the layoffs did involve a "couple of hundred."

Most of those out of work today are stitchers, since the bulk of workers are employed to construct the shoes, he said.

An employee at the Saco plant, who has not been laid off, said he believed layoff figures released by the company were lower than the actual numbers.

"During today alone 180 were laid off in Saco's stitching room," said the worker who asked to remain anonymous.

Specifically, he said in the stitching department there used to be more than 30 employees, while Monday 11 were remaining and in the stitching the numbers dropped from 22 to eight.

"The way it looks right now there has been a 60 percent employee reduction in the Saco plant," he said.

He claimed production had dropped from 525 to 400 cases a day.

"And they're not done yet," the worker said. "There's no question about it."

Burrow, however, contended layoffs were completed Monday.

He said the number of employees who lose their jobs permanently will depend not only on the discontinuation of some lines, but also on "new production figures received in the next couple of weeks."

The layoffs will not affect the company's plans to move its Sanford operation to a 24,000-square-foot plant in the Sanford Industrial Estates.

Nike, whose corporate headquarters are in Beaverton, Ore., sends shoes at the Saco manufacturing plant, then sends them to Sanford for stitching before being returned to Saco for completion.

Burrow said the company is building in Sanford because its labor, and [illegible] in the state at $3.35 an hour, is [illegible] and [illegible] building [illegible]

Nike, [illegible] industry [illegible] in Exeter, N.H., in April 1963.

Nike, one of York County's largest employers, is the city of Saco's major industry, said Mayor Eric B. Cote Monday.

And although, in a tour of the Factory Island complex three weeks ago, Cote was told by general manager Millard Freeman there were going to be some layoffs, Cote said he did not expect such a large number.

"He mentioned some layoffs," Cote said. "But he didn't mention the numbers. I didn't think it would be that many."

He said he planned to call Freeman to "see how things are."

Freeman reportedly was absent from work Monday because of illness.

"It's really too bad," Cote said. "Nike is our biggest employer by far."

Most employees who were affected by the layoff would not comment on the action in an attempt, as a spokeswoman for Sen. William S. Cohen said, "to keep a low profile since they want to return to work."

But, she said, [illegible] who contacted the Biddeford office believed 180 stitchers had been laid off from the processing shop.

"It's a shock to all because the counter toured the plant last year and it was strong and healthy," said Linda Lohman, of Cohen's office.

She said Cohen, who will be meeting with Saco officials next [illegible] in connection with a recently approved federal grant, was not expected to meet with Nike representatives during the trip planned last week.

TUESDAY, MARCH 27 1984

BERLIN, N.H.

Bass Plans Layoffs in Berlin, N.H.

By CHARLES R. POMERLEAU
Sun Regional News Staff

BERLIN, N.H. — The deterioration of G.H. Bass's shoemaking capacities in northern New England continued Monday with the announcement that workers in this town will be laid off beginning immediately. This is the third significant job action taken by Bass in the last two months.

"We advised our employees (in Berlin) today that there will be a reduction in the work force," said Eugene Kessler, Bass personnel manager in Wilton, Me. Kessler said the number of dismissals would be "significant" but the company hadn't determined an exact number yet.

Bass, a wholly-owned subsidiary of Cheesbrough-Pond Corp., employs about 370 workers in Berlin. Kessler said that as many as half of them, or 185 people, could be laid off in the next three weeks, with some people having been dismissed as of last Friday.

"I don't expect it will be more than (half)" Kessler said.

Bass has closed two Maine plants in the last two months, putting more than 500 employees out of work. The North Jay plant closed effective February 1, with some 230 workers affected, and the closing of the Rumford plant was announced last week with another 270 jobs lost.

It is the closing of the Rumford plant that has led to the layoffs at Berlin, Kessler said, coupled with "seasonal fluctuations" in the shoe industry.

"Since they (Berlin) supply a significant amount of materials to the Rumford plant, the closing there has a ripple effect on the Berlin plant," he said. Berlin makes components which are transferred to plants in Rumford, Wilton, and Bangor for final assembly.

A share of the Berlin dismissals could be temporary, Kessler indicated.

"There will probably be a callback of some magnitude during the summer months. We are not yet able to determine the final number of employees who could return to work, but we'll have a better idea after we go through the numbers," Kessler said.

The Bass official said that not many Berlin workers have been laid off so far, but that by the end of the week "we'll have a better idea of how many, and more importantly, who," Kessler stated.

Meanwhile, workers in the Rumford and Wilton Bass plants have been kept in suspense as to how many and who will be affected in those plants. Kessler said he doesn't believe layoffs have started there, but will start after the first of April.

The layoffs will be split between the two towns as work formerly done in Rumford is consolidated into the Wilton plant. The Rumford closing was attributed to imports and the high cost of doing business in Maine, Kessler said at the time the closing was announced.

At that time, Bass president Richard Bourret noted the company has gone heavily into imported shoes and sandals from Taiwan and Brazil and has purchased a plant in Puerto Rico to make handsewn shoes. As many as half of the shoes Bass will market this year will originate from foreign sources, Kessler said.

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New Bass Consolidation

270 To Lose Jobs in New Bass Consolidation

By CHARLES R. POMERLEAU
Sun Regional Staff Writer

RUMFORD — Workers at the G.H. ...s shoe manufacturing plant were told ...rning that 270 of them will lose their ...s by May 1st. Bass president Richard ... Bourret told workers in a letter that ... Rumford plant will be consolidated ... the Wilton plant because of "continu... price pressures from imports and the ...erous high cost of manufacturing in ...ine."

The announcement to make the Rum... plant a distribution center comes ...ghtly more than a month after the clos... of the Bass plant in North Jay. More ...n 125 workers lost their jobs when that ...nt was closed Feb. 1 and operations ...solidated into the Rumford and Wil... plants.

...o job actions are now planned for the ...ilton plant, which remains the largest ...nufacturing facility owned by Maine

by Bass, which is a wholly-owned subsidiary of Chesebrough-Pond. CP has owned G.H. Bass since 1978, when it bought it from the Bass family which started the company in 1876 in Wilton.

While Bourret was commenting on the closure, a press release from Bass noted the company has acquired a footwear manufacturer in Puerto Rico to supply quality handsewn shoes and the company has "substantially increased" imports from Taiwan and Brazil. Bass spokesman Eugene Kessler said the purchase of the Puerto Rican manufacturer was unrelated to the closing of the Rumford plant.

"We did not acquire the plant in Puerto Rico to replace the Rumford location," Kessler said Monday night, noting that Rumford supplied sandals and cement construction shoes, while handsewn shoes were being made in Puerto Rico.

Cement construction shoes are being imported from Taiwan and Brazil to satisfy 40 to 45 per cent of the company's needs, and the rest would continue to be made in Maine and New Hampshire plants, according to the spokesman. The Puerto Rican plant was acquired to "sustain growth in areas where current Bass manufacturing capacity is insufficient to meet demand," according to Bourret.

The Rumford plant had as its primary product sandals, but Kessler sid tht no sandals will be need to be manufactured in the near future. "We have sandals in inventory that will supply our immediate needs," he said.

The press release from Bourret gave Maine workman's compensation laws as "an example of the high cost of manufacturing in the state, but Kessler said the decision to phase out Rumford "has more to do with the nature of the product and what we are importing . . . and we did not select Rumford as such" because of the worker compensation situation in the plant.

He added in response to a question that "Rumford has contributed to our workman compensation problem" and the compensation caseload at the plant "has been significantly higher than at any other facility."

Kessler had no current figures available on how many WC cases have been filed against Bass at the Rumford plant, but the situation has been a problem for over a year. A group of present and former Bass workers from Rumford and Wilton has banded together for mutual support in workman's compensation cases against the company due to the large number of cases which have occurred.

While workman's compensation is one factor contributing to the high cost of manufacturing in Maine, it is not the only cause. Kessler said the average worker's hourly wage in Rumford is approximately $6.75 per hour, a figure increased by 20 to 30 per cent by fringe benefits such as medical and life insurance, paid vacations, and other company plans.

That per-worker cost is roughly "four to six times as much as great as in off-shore plants" depending on the country, Kessler said. Bass does not own the plants in Taiwan and Brazil which supply most of their imports, he said.

Bass, as a member of Footwear Industries of America, supports an FIA action asking for government protection against imports, according to Bourret's release. He went on to say that "in order to remain competitive in the industry, we have substantially increased imports from Brazil and Taiwan."

Kessler could find no inconsistency between the statement and the action, saying only "at this stage, we find ourselves in a position of little alternative" but that Bass's "interest in opposing that is to maintain as much manufacturing in the United States as possible."

Rumford and Wilton workers will be informed over the next two weeks as to who will be laid off, Kessler said. Layoffs will be determined by time with the company and each person's job skills, and a list of those laid off will be maintained to recall those workers first. In some cases, workers will be retrained, he said.

When the phaseout is completed by May 1, 270 workers between the two plants will have been affected. The Rumford plant will be a distribution center, taking finished products from other plants and shipping them to Bass customers, which may include Bass's own retail outlets in New England and New York. That decision has not been made yet, he said.

Over 100 Laid Off at Stride Rite

Stride-Rite shoe company has laid off more than 100 workers at its plant on Hotel Road in Auburn, eliminating its second shift.

Richard Brown, of the Clothing, Shoe and Textile Workers Union, said the layoffs apparently reflect lowered first-quarter earnings by Stride-Rite's Sperry Division, to which the Auburn plant belongs.

Brown said he did not know whether the layoffs — "pretty much the only ones" in the local shoe industry this year — will be permanent or temporary. He said the majority of the jobs at the Auburn plant involve assembling pieces that have been cut at plants overseas.

Company officials could not be reached for further comment Wednesday night or Thursday.

In its first-quarter earnings report, released last month, Stride-Rite reported that its net income dropped to 44 cents per share from 60 cents per share during the same period in 1983.

However, company president Arnold Hiatt said the company anticipates higher net sales for the first half of 1984 than for the first half of 1983, when second-quarter figures are reported.

STATEMENT BY DONALD STEPHENS, PRESIDENT, LEATHER DIVISION, BEATRICE FOODS, MILWAUKEE, WI, REPRESENTING THE TANNERS' COUNCIL OF AMERICA, WASHINGTON, DC

Mr. STEPHENS. Mr. Chairman, my name is Donald Stephens. I am president of the leather division of Beatrice Co.'s, Inc.

My testimony today is offered on behalf of the American leather tanning industry and does not necessarily reflect the views of our parent company, Beatrice. The industry would like to register its strong support for an effective period of import relief for the U.S. nonrubber footwear industry. The ITC's decision has devastating ramifications for the U.S. tanning industry.

Despite critical economical advantages over its foreign counterparts, the U.S. tanning industry has been forced into a precarious position by declining domestic markets and unfairly-distorted foreign markets. In no segment are these factors more important than in the nonrubber footwear industry, which accounts for 60 percent of the domestic leather production.

Absent meaningful import relief or the termination of unfair market intervention by foreign governments, the domestic tanning industry will continue its decline, to share the fate of the nonrubber footwear industry.

If purely commercial and economic factors were to hold sway, the U.S. tanning industry would be in a much better state of economic health; but the combined effect of import erosion of domestic leather-consuming industries, and artificial and unfair distortions in raw material in leather markets, has negated these advantages and resulted in a steady decline in the U.S. tanning industry.

The U.S. tanning industry enjoys several economic advantages which, when taken together, should result in a commercial advantage over its foreign counterparts. First and foremost, there is an abundance of raw material in the most significant category, cattlehides. Cattlehide leather is the most widely produced type of leather in the United States, particularly for use in footwear production.

Second, the U.S. tanners enjoy a technical advantage over tanners in other countries.

Third, the U.S. leather tanning industry is generally recognized as being as cost-competitive and productive as any in the world.

These fundamental advantages should translate to a successful and viable domestic industry. They have not, however, because of the erosion of the U.S. footwear and other leather products industries by imports and unfair intervention in the rawhides and leather markets by foreign governments.

Given this erosion of domestic markets and the competitive advantages enjoyed by the U.S. tanning industry, leather exports to the burgeoning foreign leather products industries could have been expected to increase substantially during this period. But export sales did not replace the declining domestic demand for leather because of the interference of foreign governments in the rawhide and leather markets. Total employment dropped from 23,000 workers in 1977 to 18,500 in 1983, and the number of production and related workers fell from 19,600 workers to 15,500 workers over the same period. The onslaught of footwear imports, particularly, has caused serious injury to the domestic leather tanning industry.

U.S. production and shipments of all cattlehide leather, which is the predominate type of leather used in footwear production, has declined considerably, by nearly 20 percent since 1975.

The erosion of domestic markets by surging imports has been particularly acute in the nonrubber footwear sector, which is the most significant consumer of U.S. leather production. The intervention by such footwear exporting countries such as Brazil, Taiwan, and Korea in the hide and/or leather markets has prevented U.S. tanners from utilizing their competitive advantages and following footwear production offshore.

Absent a period of import relief or a determination of unfair foreign government intervention in their hide and leather markets, these dual pressures promise to continue unabated, and the tanning industry will remain on its downward course.

This concludes, really, my prepared remarks, but I don't think they come close to conveying the concern that I personally have for the future of the tanning industry. I have been an American tanner for 34 years, and I've watched the decline of my own industry and the industries we serve with a very sick feeling.

The U.S. tanning industry is negatively boxed. Our first choice is to continue to make leather for a healthy domestic shoe and leather products industry. The ITC vote may have closed that option.

Our second choice is to be able to replace domestic demand with foreign demand, and survive in that way. Despite our efficiency, combinations of financial and administrative barriers make this impossible.

Our third choice is to soon dwindle down to an industry so small that it is no longer viable, one that would be unable to respond to new circumstances or to any national emergency.

I am darned scared about our future. When even the agencies created to protect a seriously injured industry turn their backs on us, our only recourse is to accept it or to look to you. It is in the long-range best interest of this country to have a viable shoe and tanning industry.

Thank you very much.

Senator HEINZ. Thank you very much, Mr. Stephens.

[Mr. Stephen's prepared testimony follows:]

Before the
Senate Committee on Finance
Subcommittee on International Trade

IMPORT RELIEF FOR THE U.S. NONRUBBER FOOTWEAR INDUSTRY

TESTIMONY OF
DONALD STEPHENS

ON BEHALF OF THE

TANNERS' COUNCIL
OF AMERICA, INC.

TANNERS' COUNCIL OF AMERICA, INC.
2501 M Street, N.W.
Suite 350
Washington, D.C. 20037
(202) 785-9400

June 22, 1984

EXECUTIVE SUMMARY

The Tanners' Council of America, Inc., which represents the U.S. leather tanning industry, expresses outrage at the decision of the U.S. International Trade Commission that the U.S. nonrubber footwear industry is not being seriously injured by imports.

- The fate of the American tanning industry is directly linked to that of the U.S. nonrubber footwear industry. Fully 60 percent of all leather consumed in the United States in 1983 was destined for nonrubber footwear manufacturers.
- The U.S. tanning industry has shared the decline of the U.S. nonrubber footwear industry. Cattlehide leather production fell by nearly 20 percent from 1975 to 1983. Substantial production declines were registered in every category of footwear leather.
- Total employment in the U.S. tanning industry dropped from 23,000 workers in 1977 to 18,500 workers in 1983. Employment of production and related workers fell from 19,600 workers in 1977 to 15,500 workers in 1983.
- These declines occurred despite critical economic advantages enjoyed by U.S. tanners over foreign competitors.
- The United States enjoys the largest commercially significant supply of tanning raw material — cattlehides — in the world.
- U.S. tanners have an ample supply of tanning chemicals and advanced tanning technology.
- U.S. tanners are as productive and efficient as any of their competitors abroad.
- Surging imports have severely eroded domestic leather products industries in addition to the footwear industry. Total U.S. imports of leather products increased in value by 228 percent from 1975 to 1983, and was led by footwear imports.
- Unfair foreign government intervention in their hide and leather markets has prevented U.S. tanners from replacing domestic with foreign markets. This unfair and artificial distortion of foreign markets has prevented U.S. tanners from utilizing their natural competitive advantages.

For these reasons, the U.S. tanning industry urges Congress to take prompt action to afford effective and meaningful relief to the U.S. nonrubber footwear industry.

Before the
Senate Committee on Finance
Subcommittee on International Trade

Testimony on Behalf of the
Tanners' Council of America, Inc.

Mr. Chairman and Members of the Subcommitte on International Trade:

My name is Donald Stephens. I am President of the Leather Division of Beatrice Foods Company. My testimony today is offered on behalf of the American leather tanning industry to register its strong support for an effective period of import relief for the U.S. nonrubber footwear industry.

Despite 70 percent import penetration and severely declining production and employment, the U.S. International Trade Commission found on June 6, 1984 that the domestic nonrubber footwear industry is not suffering serious injury because of imports. American tanners are outraged at this decision.

The ITC's decision has devastating ramifications for the U.S. tanning industry. Despite critical economic advantages over its foreign counterparts, the U.S. tanning industry has been forced into a precarious position by declining domestic markets and unfairly distorted foreign markets. In no segment are these factors more important than in the nonrubber footwear industry, which accounts for 60 percent of domestic leather production. Absent meaningful and effective import relief, or the termination of unfair market intervention by foreign governments, the domestic tanning industry will continue its decline to share the fate of the nonrubber footwear industry.

I. INTEREST OF TCA

TCA is a trade association incorporated in the District of Columbia comprised of members of the U.S. leather tanning, supplier and foreign tanning industries. Formed in 1917 to facilitate industry mobilization and production during World War I, TCA is one of the oldest trade associations in the United States. It currently has more than 100 tanner members, and represents the vast majority of leather tanners and finishers in the United States. TCA members are located in 34 states, with the largest concentrations in the New England states, New York, New Jersey, Pennsylvania, Tennessee, Wisconsin and California.

TCA's interest in import relief for the domestic nonrubber footwear industry is clear and direct. The future of the U.S. tanning industry is inextricably linked with that of the U.S. nonrubber footwear industry. According to the U.S. Industrial Outlook, sales to the nonrubber footwear industry alone accounted for 60 percent of U.S. leather production in 1983. Leather produced by TCA members is used in nearly every aspect of shoe manufacturing: leather uppers, leather insoles, leather lining and leather soles. TCA and its members thus have a direct economic stake in the continuing viability of the U.S. nonrubber footwear industry.

II. CURRENT STATE OF THE U.S. TANNING INDUSTRY

If purely commercial and economic factors were to hold sway, the U.S. tanning industry would be in a much better state of economic health. But the combined effect of import erosion of domestic leather consuming industries and artificial and unfair distortions in foreign raw material and leather markets has negated these advantages and resulted in a steady decline in the U.S. tanning industry. In no segment have these trends been more evident or more important than in the nonrubber footwear industry.

The U.S. tanning industry enjoys several economic advantages which, when taken together, should result in commercial advantages over its foreign counterparts. First and foremost, there is an abundance of raw material in the most significant category: cattlehides. Cattlehide leather is the most widely produced type of leather in the United States, particularly for use in footwear production. As shown in Table 1, the United States enjoys the most commercially significant cattle population in the world at 115 million head. Even Brazil and Argentina — major leather and leather products exporting countries — register 1983 cattle populations of only 93.0 and 58.0 million head, respectively. Other major exporters of nonrubber footwear particularly and leather products generally, such as Korea (1.8 million head) and Taiwan (127,000 head), have insignificant cattle populations.

In addition to this raw material advantage, U.S. tanners enjoy a technical advantage over tanners in other countries. Tanning chemicals are supplied by the highly developed U.S. chemical industry. Further, TCA and its Foundation fund the Department of Basic Science in Tanning Research and its laboratory at the University of Cincinnati. The laboratory has contributed greatly to the advancement of leather tanning technology, as well as of the control of the ecological effects of tanning, and shares its findings with the industry.

Finally, the U.S. leather tanning industry is generally recognized as being as cost competitive and productive as any in the world. It is as automated as any of its counterparts in other countries. This advantage results in higher productivity and, conversely, greater sensitivity to price and volume declines than foreign tanning industries.

These fundamental advantages <u>should</u> translate to a successful and viable domestic industry. They have not, however, because of the erosion of U.S. footwear and

other leather products industries by imports and unfair intervention in the raw hides and leather markets by foreign governments.

As shown in Table 2, U.S. imports of leather products have increased dramatically in value by 228 percent since 1975. These surges occurred in every category of leather products; indeed, the value of imports has more than doubled in every category except leather wearing apparel. U.S. imports of all leather products grew in value from $1.6 billion in 1975 to $5.2 billion in 1983. The most significant category, both in terms of the size of the increase (223 percent) and the portion of total imports represented, was nonrubber footwear. In 1983, for example, nonrubber footwear imports accounted for $3.7 billion of a total $5.2 billion in leather products imports.

Surging imports have caused declining production in all segments of the leather products sector. The devastating effect of imports on the nonrubber footwear industry has been documented fully. The same bleak picture also holds true for other segments of the leather products sector. In 1983, import penetration by value stood at 59 percent for leather wearing apparel, 46 percent for handbags, and 39 percent for luggage. According to the U.S. Industrial Outlook, domestic production in all segments of the leather products sector can be expected to decline even further.

Given this erosion of domestic markets and the competitive advantages enjoyed by the U.S. tanning industry, leather exports to the burgeoning foreign leather products industries could have been expected to increase substantially during this period. Leather exports, in fact, have increased by 78 percent since 1975, as shown in Table 3. But export sales did not replace declining domestic demand for leather because of the interference of foreign governments in the raw hide and leather markets.

In the raw hide markets, countries with substantial hide supplies have effectively closed their borders to hide exports. Brazil and Argentina, for example, have

forbidden or seriously impeded the export of cattlehides through embargoes and export tariffs for more than a decade.

These artificial reductions in available world raw material supplies have had two injurious effects on the U.S. tanning industry. First, these governments have insulated their respective markets from world demand. By limiting demand pressure on their hide pools, they have reduced raw material prices to their local tanning and thus leather products industries. Leather and leather products are then exported to the United States and third country markets causing further erosion in the domestic and foreign markets of U.S. tanners. The remarkable increase in U.S. imports of footwear and other leather products has already been discussed. Table 3 shows that even U.S. imports of leather have grown substantially since 1975.

Second, the reduction in the available supply of cattlehides by Brazil and Argentina has caused world demand to focus on the United States. TCA estimates that the United States accounts for approximately 75 percent of world trade in cattlehides. As shown in Table 4, roughly 55 to 60 percent of total domestic cattlehide supply has been exported annually since 1975. Major destinations of these exports included the sources of a majority of U.S. nonrubber footwear imports in 1983: Korea, Taiwan and Italy. See Table 5.

This demand pressure has increased the price of cattlehides in the United States, and thereby decreased the competitiveness of the U.S. tanning industry. These price effects became particularly acute in 1979, when the estimated total slaughter reached its lowest level during the period, 69 percent of the total slaughter was exported, and cattlehide prices rose to an historic peak. Further, massive exports of U.S. cattlehides have allowed countries without commercially significant indigenous hide supplies, like Taiwan and Korea, to increase local value added and create enormous footwear and leather products industries.

With respect to leather markets, barriers to trade have prevented and/or seriously hindered the growth of U.S. leather exports. Taiwan assesses duties and taxes amounting to approximately 50 percent of CIF value on leather imports. Korea levies a tariff of 30 to 40 percent ad valorem on finished leather imports. Japan has established a quota on leather imports, and levies duties of 20 percent ad valorem. Even the European Community, Spain and Canada maintain tariff schedules on leather that are higher than duties assessed on leather imports into the United States.

Under the twin bludgeons of eroding domestic markets and artificial interference with foreign raw material and leather markets, the U.S. tanning industry has declined substantially over the last decade. The value of domestic shipments, though increasing in nominal terms, declined in 1972 constant dollars from $912.2 million in 1977 to $732.0 million in 1982, before rebounding slightly to $769.0 million in 1983. Production, shipments and employment also have fallen. As shown in Table 6, total production fell by 15 percent since 1975, from a peak of 23.5 million equivalent hides in 1976 to just over 18.6 million equivalent hides in 1983. Shipments declined by 17 percent since 1975 from a peak of 23.3 million equivalent hides in 1976 to 18.4 million equivalent hides in 1983. Total employment dropped from 23,000 workers in 1977 to 18,500 workers in 1983, and the number of production and related workers fell from 19,600 workers to 15,500 workers over the same period. Given the ever-increasing influx of leather products imports and the effective closure of export markets, these seriously declining trends can only be expected to continue.

III. SURGING FOOTWEAR IMPORTS HAVE HAD AN INJURIOUS EFFECT ON THE U.S. TANNING INDUSTRY

The onslaught of footwear imports particularly has caused serious injury to the domestic leather tanning industry. As noted above, fully 60 percent of all finished leather consumed in the United States in 1983 was consumed by the nonrubber footwear

industry. Even if other leather products industries enjoyed rising production and shipments, the destiny of the domestic tanning industry would remain directly and unmistakably linked to that of the U.S. nonrubber footwear industry.

As shown in Table 7, U.S. production and shipments of all cattlehide leather (which is the predominant type of leather used in footwear production) have declined considerably by nearly 20 percent since 1975. From a peak of 20.2 million equivalent hides in 1976, production declined in every year until 1981. Cattlehide leather production fell again in 1982, but then rebounded slightly in 1983. Shipments followed an identical trend. In 1983, both production and shipments were nearly five million equivalent hides below levels attained in 1976.

Within footwear leather categories, moreover, production and shipments have generally declined sharply since 1975:

- Production and shipments of shoe upper leather increased slightly from 1975 to 1976, and then fell steadily to nadirs in 1979. Although production and shipments in this category grew in 1980 and 1981, both measures fell again in 1982 and 1983. Production and shipments in 1983 stood more than six million sides, or approximately 20 percent, below levels attained in the peak year of 1976. See Table 8.

- Production and shipments of dress shoe upper leather followed an identical trend. In 1982, both measures were more than four million sides, or roughly 15 percent, less than levels in 1976. See Table 9.

- Production and shipments of work shoe upper leather fell steadily from 1975 to 1983 with the sole exceptions of production in 1981 and 1983, which essentially remained stagnant from the prior year levels. In 1983, production and shipments were approximately 1.3 and 1.4 million sides, or 34 and 37 percent, respectively, less than in 1975. See Table 10.

- Production and shipments of lining leather fell precipitously during the period. From the peak year of 1976, production and shipments in this category dropped from 1.3 million sides to less than 500,000 sides in 1983. See Table 11.

- Although separate statistics on sole leather production and shipments are not maintained, the U.S. Industrial Outlook reports that sole leather consumption fell by 10 percent in value from 1982 to 1983.

Within the critical footwear leather category, as well as overall, the domestic tanning industry has declined substantially since 1975. The erosion of domestic markets by surging imports has been particularly acute in the nonrubber footwear sector, which is the most significant consumer of U.S. leather production. The intervention by such footwear exporting countries as Brazil, Taiwan and Korea in the hide and/or leather markets has prevented U.S. tanners from utilizing their competitive advantages and following footwear production offshore. Absent a period of import relief, or the termination of unfair foreign government intervention in their hide and leather markets, these dual pressures promise to continue unabated, and the domestic tanning industry will remain on its downward course.

IV. CONCLUSION

TCA urges Congress to enact a meaningful and effective period of import relief for the U.S. nonrubber footwear industry. The ITC's unbelievable decision that the industry is not being seriously injured by imports has a devastating impact not only on domestic nonrubber footwear manufacturers and their workers. It has an equally injurious impact on American tanners. We join our customers in the U.S. nonrubber footwear industry in urging that Congress take prompt and effective action to insure the survival of this sector of the economy.

Thank you.

June 22, 1984

Table 1

CATTLE POPULATION OF SELECTED COUNTRIES AND REGIONS, 1980-1983

(1,000 head)

Country	1980	1981	1982	1983 1/
United States	111,192	114,321	115,604	115,199
U.S.S.R.	115,100	115,057	115,919	117,186
Argentina	58,938	58,807	57,948	58,000
Brazil	91,000	93,000	93,000	93,000
Mexico	33,000	34,000	34,700	33,873
Western Europe 2/	93,229	92,551	91,796	92,869
Eastern Europe 3/	38,336	37,735	37,838	37,131
India	241,000	245,550	246,610	247,650
Taiwan	143	134	134	127
Japan	4,248	4,385	4,485	4,590
Korea	1,762	1,604	1,506	1,754
Phillipines	4,753	4,704	4,760	4,864

1/ Preliminary figures.

2/ Includes Belgium, Luxembourg, Denmark, France, West Germany, Greece, Ireland, Italy, Netherlands, United Kingdom (European Community Members), Austria, Finland, Portugal, Spain, Sweden and Switzerland.

3/ Includes Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania and Yugoslavia.

Source: Tanners' Council of America; based on U.S. Dep't of Agriculture, Foreign Agricultural Service, data.

Table 2

U.S. IMPORTS OF LEATHER PRODUCTS, BY VALUE, 1975-1983

($1,000)

Year	Nonrubber Footwear	Gloves 1/	Baseball Gloves	Wearing Apparel	Handbags & Purses 2/	Luggage & Flat Goods 3/	Other (Incl. Belts)	Total Leather Products
1975	1,132,228	36,554	15,966	154,263	124,776	89,486	41,823	1,595,096
1976	1,448,561	46,626	29,415	236,587	185,000	106,754	64,045	2,170,988
1977	1,599,170	67,693	37,879	204,135	207,247	190,283	81,032	2,387,094
1978	2,057,351	89,360	38,794	318,269 4/	310,382	266,184	112,763	3,193,103
1979	2,429,284	120,127	39,628	257,955 4/	299,806	295,557	121,432	3,563,789
1980	2,298,308	102,709	50,270	170,907 4/	350,562	321,789	142,810	3,437,355
1981	2,480,984	92,103	49,448	207,067 4/	406,230	384,675	164,561	3,785,068
1982	3,077,408	90,853	43,418	251,969 4/	409,624	439,096	163,955	4,476,323
1983	3,661,935	98,954	36,060	271,581	449,908	523,297	192,259	5,233,994
Percent Change	+223%	+171%	+126%	+76%	+261%	+485%	+360%	+228%

1/ Includes leather and combination.

2/ Includes leather, vinyl and other materials.

3/ Includes leather and other materials.

4/ TSUS category change March 1, 1977. Comparison with prior year data incorrect.

Source: Tanners' Council of America; based on U.S. Department of Commerce data.

Table 3

U.S. IMPORTS AND EXPORTS OF LEATHER, BY VALUE, 1975-1983

($1,000)

Year	Imports	Exports
1975	87,953	141,715
1976	180,502	139,265
1977	155,934	149,787
1978	222,006	194,160
1979	284,348	250,420
1980	217,316	271,944
1981	354,035	275,332
1982	318,049	210,000
1983	298,405	252,469
Percent Change	+239%	+78%

Source: Tanners' Council of America; based on U.S. Department of Commerce data.

Table 4

U.S. EXPORTS OF CATTLEHIDES: TOTAL SLAUGHTER, TOTAL EXPORTS AND PERCENT EXPORTED, 1975-1983 1/

(1,000 units)

	Estimated Total Slaughter	Total Exports	Exports As Percent of Slaughter
1975	41,800	21,289	50.9%
1976	43,582	25,270	58.0%
1977	42,770	24,489	57.3%
1978	40,404	24,791	61.4%
1979	34,400	23,741	69.0%
1980	34,520	19,512	56.5%
1981	35,640	19,703	55.3%
1982	36,600	23,175	63.3%
1983	37,400	21,861	58.5%
Percent Change	-11%	+3%	

1/ Does not include U.S. imports of cattlehides and re-exports, which are relatively insignificant. In 1983, cattlehide imports amounted to 664,000 hides; re-exports equalled 8,000 hides.

Source: Tanners' Council of America; based in part on U.S. Department of Commerce data.

Table 5

U.S. EXPORTS OF CATTLEHIDES,
BY SELECTED COUNTRY, 1975-1983

(1,000 pieces)

Year	Canada	Mexico	Italy	Romania	Taiwan	Japan	Korea	Other
1975	805	2,362	565	1,226	749	7,108	2,203	6,251
1976	1,057	1,708	1,561	1,651	818	9,356	3,270	5,849
1977	859	1,967	1,048	1,472	843	8,425	3,811	6,264
1978	1,093	1,938	1,284	1,942	1,018	8,797	3,720	4,999
1979	1,244	2,428	2,248	1,317	955	7,396	2,528	5,625
1980	1,046	1,972	690	1,046	1,285	7,476	2,653	3,344
1981	1,212	2,485	486	680	1,312	7,512	3,579	2,437
1982	1,041	1,882	1,395	939	1,740	6,489	4,572	5,137
1983	1,235	1,296	823	1,318	2,433	6,413	4,635	3,708
Percent Change	+53%	-45%	+46%	+8%	+225%	-10%	+110%	-41%

Source: Tanners' Council of America; based on U.S. Dep't of Commerce & U.S. Dep't of Agriculture data.

Table 6

U.S. TOTAL LEATHER PRODUCTION
AND SHIPMENTS, 1975-1983 1/

(1,000 equivalent hides)

Year	Production	Shipments
1975	21,894	22,320
1976	23,526	23,332
1977	21,528	21,669
1978	20,599	20,089
1979	18,170	18,051
1980	17,600	17,636
1981	19,184	18,958
1982	18,229	18,035
1983	18,610	18,470
Percent Change	-15%	-17%

1/ Includes cattle, calf, kip, goat, sheep, lamb, cabrettas, pig, horse and kangaroo leathers converted to hide basis. Non-cattle leather production estimated from historical trends on cattlehide equivalent basis.

Source: Tanners' Council of America.

Table 7

U.S. PRODUCTION AND SHIPMENTS OF ALL CATTLEHIDE LEATHER, 1975-1983

(1,000 equivalent hides)

Year	Production	Shipments
1975	18,830	19,197
1976	20,231	20,065
1977	18,512	18,637
1978	17,371	17,276
1979	15,041	14,932
1980	14,790	14,816
1981	15,520	15,461
1982	15,028	15,053
1983	15,430	15,427
Percent Change	-18%	-20%

Source: Tanners' Council of America.

Table 8

U.S. PRODUCTION AND SHIPMENTS
OF SHOE UPPER LEATHER, 1975-1983

(1,000 sides)

Year	Production	Shipments
1975	26,081	26,417
1976	27,517	27,146
1977	24,358	24,651
1978	23,046	22,865
1979	19,647	19,525
1980	21,039	21,133
1981	21,760	21,610
1982	20,921	21,003
1983	20,865	20,867
Percent Change	-20%	-21%

Source: Tanners' Council of America.

Table 9

U.S. PRODUCTION AND SHIPMENTS
OF DRESS SHOE UPPER LEATHER, 1975-1983

(1,000 sides)

Year	Production	Shipments
1975	21,149	21,381
1976	22,614	22,311
1977	20,273	20,508
1978	19,174	19,119
1979	16,111	16,113
1980	17,616	17,808
1981	18,438	18,417
1982	17,956	18,117
1983	17,884	18,027
Percent Change	-15%	-16%

Source: Tanners' Council of America.

Table 10

U.S. PRODUCTION AND SHIPMENTS
OF WORK SHOE UPPER LEATHER, 1975-1983

(1,000 sides)

Year	Production	Shipments
1975	3,838	3,926
1976	3,566	3,498
1977	3,022	3,079
1978	3,043	2,928
1979	2,785	2,751
1980	2,693	2,693
1981	2,700	2,671
1982	2,503	2,526
1983	2,521	2,480
Percent Change	-34%	-37%

Source: Tanners' Council of America.

Table 11

U.S. PRODUCTION AND SHIPMENTS OF LINING LEATHER, 1975-1983 1/

(1,000 sides)

Year	Production	Shipments
1975	1,106	1,110
1976	1,337	1,337
1977	1,063	1,065
1978	829	818
1979	751	851
1980	730	632
1981	622	522
1982	462	360
1983	480	360
Percent Change	-58%	-68%

1/ Estimated from historical data and trends.

Source: Tanners' Council of America.

Senator HEINZ. I have a number of questions I want to submit to all of you for the record. Before I go any further, though, I need to ask unanimous consent that Senator Helms' statement be placed in the record as an opening statement. He had planned to testify but was unable to do so, so I do ask consent to do so without objection, that his statement will appear as an opening statement.

[Senator Helms' prepared statement follows:]

STATEMENT OF SENATOR JESSE HELMS BEFORE
THE SENATE SUBCOMMITTEE ON INTERNATIONAL TRADE

June 22, 1984

Mr. Chairman, the domestic footwear industry today finds itself in an unfortunate "catch 22" situation. Faced with an unprecedented surge of imported footwear, U. S. manufacturers are finding it more difficult, if not impossible, to sell their goods abroad because of import restrictions in foreign countries.

The footwear industry is a classic illustration of a U. S. business on the downslide--through no fault of its own--because of unfair competition from abroad. Since 1968, when the United States reduced tariffs on nonrubber footwear produced in other countries, imports have increased by well over 200 percent.

Fifteen years ago, Mr. Chairman, imports accounted for about 21 percent of the U. S. market. When the Orderly Marketing Agreements with Korea and Taiwan ended in 1981, import penetration had risen to 51 percent. Preliminary reports for 1984 indicate imports have now captured roughly 75 percent of the U. S. market.

This situation has all but devastated the American shoe industry. Sixteen factories have closed and 2,000 jobs in direct manufacturing have been lost this year alone.

Mr. Chairman, North Carolina is the 13th largest footwear producing state in the Nation, and while it is one of the few states evidencing any growth in footwear whatsoever, the national trend is not encouraging.

There are roughly 3,350 footwear jobs on the line in North Carolina. Of the 13 shoe factories in the state, most are located in rural areas. Footwear manufacturing is a significant employer in 12 counties, and is the largest employer in Madison County. In five other counties, footwear is the second largest employer.

Mr. Chairman, despite the strangling effect imports have had on the capital available for investment, the domestic industry has made every effort to compete. It has made an extensive commitment to research, development, and modernization.

During the period from 1977 to 1980, research and development expenditures rose steadily from $5.4 million to $7 million, according to information furnished by the International Trade Commission. Capital expenditures also rose from $80.1 million in 1980 to $115.6 million in 1981.

Despite great strides toward innovation and higher efficiency, the going is increasingly rough for our shoe manufacturers. This is due in large part to global trade conditions.

Mr. Chairman, the United States is the only major country which allows virtually unlimited footwear trade. Many of our trading partners have tough restrictions on imported footwear, ranging from high tariffs to quotas and licensing arrangements. The two largest exporters of footwear--Taiwan and South Korea--place a 50 to 60 percent tariff on imports from the United States and other countries.

Mr. Chairman, even the most articulate advocate of free and unrestricted trade could not persuade me that these conditions are anything but unfair. Yet to date, the government has turned its back on pleas for relief from the industry.

Earlier this month, as we all know, the ITC denied a petition for relief under Section 201 of the Trade Act of 1974. In a nutshell, the panel simply refused to recognize the damage imported footwear is doing to domestic manufacturers.

Having exhausted all other remedies, the industry is now looking to us in Congress to exercise justice and fair-play. The legislation before this subcommittee today is, in my judgment, a sensible response to the needs of men and women associated with the footwear industry.

Simply put, it restricts imports of nonrubber shoes into the United States to 400 million pairs annually. The Secretary of Commerce would be directed to allocate this amount among countries which desire to sell their products on the U. S. market.

The legislation would permit domestic shoe manufacturers to retain slightly less than one-half of the U. S. market.

Mr. Chairman, I urge this distinguished panel--and indeed, the full Senate--to move expeditiously to approve this legislation. I commend my friend and colleague from Maine, Senator Cohen, for his leadership in this matter. I look forward to working with him and others in securing passage of this bill.

Senator HEINZ. I do have one question for George Langstaff.

There seems to be a number of problems that many of you touched on with the data presented in the ITC staff report. I would assume that the questionnaire that the staff utilized in preparing the report and which was sent out to you by them was drafted with the industry's ability to answer it properly in mind.

Did the industry have any input into that questionnaire?

Mr. LANGSTAFF. Mr. Chairman, the industry was concerned about the upcoming questionnaire and the upcoming investigation. In the middle of last year, in about July, we created an industry task force for the purpose of looking at previous ITC questionnaires, evaluating what had been wrong from the standpoint of industry response, and developing some recommendations for the ITC. We included in that task force members of industry companies who had particular expertise in this area, we included a public accounting firm, economists, and legal counsel.

We developed a questionnaire which we felt was simple, that the industry would understand, that would elicit the necessary information. This was a 10-page questionnaire which we shared with the ITC staff in early January, prior to the filing of our petition. We had an extensive meeting wit them, but I have to say in all honesty that there was not that much acceptance of the concepts that we presented.

Senator HEINZ. In terms of the questionnaire that they actually utilized, did you have problems with some of the questions?

Mr. LANGSTAFF. Yes, sir, we do. And I would like, if I may, to submit to you—I realize time is short today, and it gets to be kind of involved—an outline of some of our major concerns in these areas and what we had suggested as a means of remedying those.

Senator HEINZ. And you did communicate those problems to the ITC staff?

Mr. LANGSTAFF. Yes, we did.

Senator HEINZ. But in sum, what you are saying is that they didn't appear to pay that much attention to your problem?

Mr. LANGSTAFF. Minor adjustments, but you can just look at the difference in the size of the questionnaire and the convolution of the questionnaire—40 pages of very difficult material compared to 10 of simple, direct.

Senator HEINZ. You probably had to be profitable to afford the time to fill it out.

Mr. LANGSTAFF. I'm afraid that's right. [Laughter.]

Senator HEINZ. Senator Mitchell?

Senator MITCHELL. Thank you very much, Senator Heinz. I have a number of questions for Mr. Langstaff and Ms. Howard. In the interests of time I will submit them to you in writing and ask that you respond to them in writing as promptly as possible.

Senator MITCHELL. I want to thank you all for testifying, especially Ms. Walker and Ms. Hebert who made a real effort to come here. I think all too frequently the testimony and decisions on economic matters involves statistics and numbers, and we are unable to feel the human dimensions of the decisions that are made. And I think it is particularly significant that these two shoeworkers have come here to enable us to feel how this has affected them.

I would like to ask you both to comment, just briefly—and you touched on it somewhat in your statement—on the effect this is having among persons who you know in the shoe industry, people like yourselves who were formerly employed in the shoe industry and are no longer employed, persons who are employed. You obviously know them as friends and neighbors. What is the general effect on the families, the individuals, and the communities?

Ms. HEBERT. There is a very depressing, demoralizing effect when you first find out that your factory's closing. We live in rural Maine. We love our State and we love where we are living, but there are no other employment opportunities in this area. We have always taken pride in the craftsmanship of our work, and now we are told we are no longer necessary. We are becoming an endangered species.

And don't let anybody kid you—shoe crafting is a very real trade, and it takes a long time to be able to become expert at it. OK, you can send the shoe industry overseas, but the quality doesn't come back; it takes time to develop that quality.

But the people—they want to know why they are no longer necessary, why is our industry being given away? They don't understand. And a lot of the people who are left in this industry—right now, two-thirds are women. They have no alternative. Their education is maybe lower than the national average. I think in the shoe industry a 10-grade education is about the average.

Do they have to move? They are coming under assistance; they have to go to the State level. They go to other towns to spend their food stamps because they are ashamed; they have always been hardworkers, high productivity. Nobody can ever take away from Maine the reputation that Maine people have of being hard, productive workers. If you leave the State of Maine and ask for a job anywhere else, and you are guaranteed to have one within a day, and we're proud of that fact.

Senator HEINZ. I would like to interrupt. I have no doubt that the shoeworkers in Maine are hardworkers, but I think that you should know that Senator Cohen and Senator Mitchell are equally hardworkers. [Laughter.]

Ms. HEBERT. Oh, I know that. I think they are pretty wonderful.

Senator MITCHELL. Ms. Walker?

Ms. WALKER. I think another effect is that we see "For Sale" signs up on houses all over the place, particularly in the Franklin County area that we mentioned. And there are 1,400 other people who are waiting for the axe to fall, so to speak. And they don't know when they go into work in the morning whether they will have a job when they leave in the afternoon, because the situation is so desperate there.

Every day our organization grows, with people who are really concerned about this, and they are such hardworkers. In 2 days they earn $200, after working 40 hours.

Ms. HEBERT. These people are warm, wonderful people, and they're scared. They are scared.

Senator MITCHELL. I was interested in the shoes that you held up. One of the arguments made by the importers—and we are going to hear it very shortly—is that, of course, this gives American consumers a wider opportunity, a better range, "more shoes at

better prices" is the argument. You are holding in your hands shoes. Are those generally similar shoes?

Ms. HEBERT. These are boat shoes, and they are the top of the line for both Timberland and for Sabago. There was a article done in the Maine Times, and these were the first two shoes on the list. One, the Timberland, used to be an entirely American-made product. But now the upper part of the shoe is produced offshore.

These were both purchased at a first-class store; these were not from outlets, and they are not supposed to be seconds but first quality.

I will leave the shoes here for you to take a look at if you want to compare the quality.

This is entirely produced in America—$48 in Laimy Wellihan Shoe Store in the Maine Mall on the 18th. We have the receipts right with the shoes; and this was purchased at the Maine Mall but in Open Country. And I will leave it to you to judge the quality.

Senator MITCHELL. And the imported shoe was more expensive than the American-made shoe?

Ms. Hebert: Eleven-ninety-five.

Senator MITCHELL. Difference?

Ms. HEBERT. Difference.

Senator MITCHELL. Well, thank you both very much for coming down here today, and thank all of you ladies and gentlemen who were witnesses.

Ms. HEBERT. Thank you.

Senator MITCHELL. Now, we understand that there are some members of the ITC staff present who are prepared to respond to questions by members of the committee, so I would ask that they now come forward to the witness stand.

We thank you very much for coming here, and perhaps the best way to begin would be to ask each of you to identify yourselves by name and position

Mr. GERHARDT. My name is William Gerhardt, and I am assistant general counsel for the Commission. One of the areas that I oversee is the section 201 area.

Mr. FRYE. I am Bill Frye, and I am the director of the Office of Investigation.

Ms. BISHOP. My name is Miriam Bishop. I was the investigator assigned to footwear investigation.

Ms. LIBEAU. My name is Vera Libeau. I was the supervisory investigator on the footwear investigation.

Senator MITCHELL. I'm sorry, would you give us your last name again?

Ms. LIBEAU. Libeau—L-i-b-e-a-u.

Senator MITCHELL. Thank you very much, Mr. Gerhardt, Mr. Frye, Ms. Bishop, and Ms. Libeau.

Senator HEINZ. Thank you, Senator Mitchell. I am going to have to turn the hearing over to you in about 2 minutes, and I am going to submit for the ITC staff some factual questions. Clearly we know that you are not in a position to respond to any questions regarding how we should shape legislation. The questions I intend to submit to you are basically factual, so that we can understand better the information-gathering process that you go through. There has been significant testimony that the information you use

which is in essence fairly highly-privileged, which is unique, is a very major critical determinant, indeed, in the way the Commission and the staff with the assistant staff come to a decision.

Let me ask you just a couple of quick questions:

As I understand it, the staff report indicates that the total hourly compensation of the footwear increased from $4.79 per hour to $6.27 per hour between 1979 and 1983, or 31 percent. Commissioner Rohr in his statement said wages increased "35 percent over the period of the investigation." Do any of you know what he was looking at to come up with that higher figure?

Ms. BISHOP. No; I'm sorry, I don't know.

Senator HEINZ. Nobody knows the answer to that question.

The second question: The actual dollar amount of the increase was $1.48 per hour. That doesn't really seem like a lot to me. What was the CPI, the Consumer Price Index, increase this period—1979 through 1983?

Ms. BISHOP. I'm not sure that we have the exact numbers in front of us. The numbers we have in front of us would be Producer Price Indexes.

Senator HEINZ. Would be the what?

Ms. BISHOP. Producer Price Indexes.

Senator HEINZ. Well, let me ask you a question. Why would you, in looking at wages, look at the Producer Price Index as opposed to the Consumer Price Index?

Ms. BISHOP. We did not associate the wage figure with the Producer Price Index.

Senator HEINZ. Very well.

I think if we were to consult the Bureau of Labor Statistics statistics, it would be a 37-percent increase in the CPI during that period. What do Government figures show were the increase in footwear wages during that period?

Ms. BISHOP. Our figures showed a 31-percent increase in wages in that period.

Senator HEINZ. There was a discrepancy between your figures and mine. According to the Bureau of Labor Statistics there was a 29-percent increase—a 2-percent difference. How much did the minimum wage increase during the period January 1, 1979, through January 1, 1981?

Ms. BISHOP. I don't have that information.

Senator HEINZ. It increased from $2.90 to $3.35, a total of 45 cents. Do you know if the Commission was aware—I gather from your statement, since you didn't know what the minimum wage was, this may be difficult for you to answer. Was the Commission aware that about a third of the increase in wages was due to mandated minimum-wage increase? Do you know if the Commission was advised of that?

Ms. BISHOP. If it is public knowledge, the Commission had access to it.

Senator HEINZ. But it was not advised of that by the staff, per se, to anyone's knowledge?

Ms. BISHOP. Not by myself.

Mr. FRYE. Not to my knowledge, either, sir.

Senator HEINZ. On section B7, page 10, of the producers questionnaire, "Request data regarding the number of pairs of footwear

produced with and without imported uppers," what did you do with that data? We don't see it anywhere in the staff report.

Ms. BISHOP. The data was available if the Commission wanted information on it. The Commission did not request specific information on imported——

Senator HEINZ. So, it was tabulated someplace, but not mentioned in the staff report. Is that right?

Mr. FRYE. All information collected during the course of an investigation does not find its way into the staff report. It's all a matter of the record of the investigation, but the staff report is somewhat selective. We certainly tried to give it a balance and not to suppress anything here.

Senator HEINZ. I am not being critical; I am just trying to ascertain some facts.

Now, to the knowledge of any of you, did any of the Commissioners ask for that data?

Ms. BISHOP. No.

Senator HEINZ. No? All right

Next on table 11, page 10 of the staff report, it indicates that capacity in the industry has increased. It is well known in the industry that you can increase capacity substantially with the use of imported uppers. Have you made any attempt to clarify or explain how that capacity figure could be distorted by the use of imported uppers?

Ms. BISHOP. No.

Senator HEINZ. No. All right.

Do you believe that Chairman Eckes—he was then chairman; we have a new chairman in the last 5 days, Dr. Paula Stern—do you believe that the then-Chairman Eckes was aware of the fact that the use of imported uppers can seriously distort practical capacity, when he made his statement prior to the vote that production and capacity has risen? Is there any reason to believe he knew about the imported uppers?

Ms. BISHOP. I believe he was aware of that fact, sir.

Senator HEINZ. On what do you base that assumption?

Ms. BISHOP. He has been and voted on several prior footwear investigations.

Senator HEINZ. Well, does that mean that he was aware that use of imported uppers would in fact expand capacity it in fact he had not seen the information in the staff report regarding imported uppers? How do you come to your conclusion?

Mr. FRYE. I believe that he is aware of that fact.

Senator HEINZ. On what basis?

Mr. FRYE. Well, because there has been testimony before the Commission—I can't recall just when—that this is a trend toward increasing imports of uppers, and I do believe that the chairman would have been aware of that fact.

Senator HEINZ. I want to thank you for answering my questions. I want to turn over the rest of the time to Senator Mitchell, who has graciously offered to chair the hearing to its conclusion, which will be fairly soon.

Senator Mitchell, thank you very much for your generosity. We thank the staff of the ITC for being here.

Thank you.

Senator MITCHELL. Thank you, Senator.

You have indicated in response to Senator Heinz's questions that the data regarding the number of pairs of footwear produced with and without imported uppers were collected but not included in the staff report. I would ask if you would make that data available to this committee.

Ms. BISHOP. Certainly.

Senator MITCHELL. You will do that? Thank you.

Pursuing further the question of uppers, was the use of imported uppers considered specifically in reviewing profit data for domestic producers, since as you know the use of imported uppers can obviously increase profits, and that appears to have been the determining factor in the decision by the members of the Commission?

Ms. BISHOP. No, it was not connected with their use or imported uppers.

Senator MITCHELL. All right. So you did not consider that aspect of profitability by domestic producers, the extent to which the use of imported uppers contributes to that profitability?

Mr. FRYE. We did not consider it.

Senator MITCHELL. You did not consider that?

Mr. FRYE. Right.

Senator MITCHELL. On page 118, if you would refer to that, Ms. Bishop and Ms. Libeau, there appears a table M–1 regarding markups on domestic and imported shoes. Did this table include the original markup of the importer of record, or only the wholesale cost that the retailer marked up?

Ms. BISHOP. It was only the retailers' markup.

Senator MITCHELL. Did you make any attempt to find out the real markup from the first cost of the imported footwear?

Ms. BISHOP. No.

Senator MITCHELL. Now, the data refers to "sustained markup"—it uses the phrase "sustained markup." Would you tell me, please, what that means?

Ms. BISHOP. The sustained markup refers to the final sales cost. It basically refers to the difference between the aggregate acquisition cost and the final sales value of the products as a percentage of the final sales value.

Senator MITCHELL. I'm sorry. Would you repeat that, please?

Ms. BISHOP. The sustained markup basically refers to the difference between the aggregate acquisition cost and the final sales value of the products as a percentage of the final sales value.

For example, if the final sales value of a pair of shoes were $20, and the final acquisition cost of that pair of shoes were $12, the markup on the shoes would be 40 percent.

Senator MITCHELL. And that's obviously an aggregate analysis.

Ms. BISHOP. That is correct.

Senator MITCHELL. Fine.

Now, in Commissioner Stearns statement, she indicated that 112 domestic footwear producers import. On page 58 of your staff report, table G–9, there are only 20 companies listed as reporting profits from imports. I have three questions in that regard:

The first is, are these the only companies that segregated profits for the importing operation?

Ms. BISHOP. These are the only companies that reported their profits on imports. They are not the only companies that segregated the data on their domestic manufacturing from their imports.

Senator MITCHELL. Well, you stress the words "these are the only companies that reported profits on their imports." Then, what about the other 92 producers?

Ms. BISHOP. If we had profitability data on these other 92 producers, and they reported it to us, we carefully checked to make sure. There were a few companies that were not able to segregate the data on imports from the domestic manufacturing; but, by and large, these producers only reported their profitability on their domestic manufacturing. They simply did not report profitability on their imports.

Senator MITCHELL. So the answer to the question is the 112 domestic footwear producers do import; 20 reported profits from imports; and you are unable to say whether or not the other 92 made such profits and simply did not report them, or whether they didn't make any profits and therefore didn't report them. Is that correct?

Ms. BISHOP. Basically correct, yes.

Senator MITCHELL. Fine.

So, the information you have is—in this respect, at least—incomplete? You asked a question of 112 companies, 20 responded, and you don't know whether the others failed to respond because they did not make profits or because they did not segregate, or because they simply chose not to report. Is that correct?

Ms. BISHOP. We know that all but seven did segregate their profitability. What they did, whether they made profits or they lost money on their shoes, we don't know that.

Senator MITCHELL. You don't know that.

If you would address yourself, please, to page 40, table 38. Do you have it before you, Ms. Bishop?

Ms. BISHOP. Yes, I do.

Senator MITCHELL. Does that include data from all of the 112 domestic producers that import?

Ms. BISHOP. No.

Senator MITCHELL. From how many of them?

Ms. BISHOP. I believe the number was 41 firms, in 1983

Senator MITCHELL. Forty-one of the 112 firms. And is that because those were the only ones from whom you obtained information?

Ms. BISHOP. That is correct.

Senator MITCHELL. And you have no way of knowing, then, whether relevant data from other companies was not included? You don't know the reason why it was not included? They didn't report?

Ms. BISHOP. Well, I'm not sure exactly where the 112 figure came from in the first place that you are referring to.

Senator MITCHELL. Commissioner Stearn used the figure.

Ms. BISHOP. Again, I am not sure exactly where it came from. It wasn't my number.

Senator MITCHELL. Well, let me ask you this question, then: Do you know of any factual basis for Commissioner Stearn's use of that figure?

Ms. BISHOP. I am sure that there is one.

Senator MITCHELL. I didn't ask you if there is one; I asked you if you know of any.

Mr. FRYE. Excuse me, I would like to consult with Ms. Bishop.

Senator MITCHELL. Oh, you can just answer directly. That's all right.

Mr. FRYE. Well, could you tell me whether there are actually 112 firms that are domestic producers that are importers? I think that is the thrust of the Senator's question. And is that large a number of domestic producers actually importers?

Ms. BISHOP. I think I remember that that number was referred to at some time from an article published in one of the trade magazines. I am not sure whether that number includes finished footwear, imports of solely a finished footwear, which is what we solicited information on, finished shoes, or whether it includes information on imported uppers. It could be that 112 domestic producers are easily importing imported uppers.

We solicited information on their use of imported uppers; however, we did not ask about their imports or tabulate imports in the questionnaire or in the report on imported uppers.

Senator MITCHELL. Well, let me repeat my question, then, perhaps to apply to a factual basis.

Commissioner Stearn said at the time she announced her decision, and I quote, "Twelve of the twenty-one producer giants are dominant importers, accounting for 41 percent of total imports in 1983." She then read a sentence which is not relevant to this inquiry, and then said, "And there are 100 other domestic footwear manufacturers who also import footwear."

Now, that means, in plain English, that she is saying that there are 112 domestic footwear manufacturers who import footwear.

My question to you, Ms. Bishop, is whether there is any factual data in your report or which you received, of which you are aware, that forms the basis for that statement? I am not asking what she believed or understood—you are obviously not in any position to respond to that. I am asking you whether either you or Ms. Libeau or Mr. Gerhardt or Mr. Frye—any of the four of you—are aware of any facts in the record which support that statement?

Ms. BISHOP. There is a statement in the report that reads, "Approximately 100 footwear manufacturers in the United States imported nonrubber footwear in 1983," and the reference is to a 1983 director of manufacturers, importers, and wholesalers, Footwear News magazine, December 1982.

Senator MITCHELL. And would you just tell me please, for the purposes of the record, you are reading from the report, what page you are reading from so we will have it for the record?

Ms. BISHOP. Page A-23.

Ms. LIBEAU. This would be A-23 of the actual final report to the Commission. What you have before you are excerpts from the statistical tables that were contained in that report. The page numbers may not totally coincide.

Senator MITCHELL. All right, fine. Thank you very much, Ms. Libeau.

Well, I thank you all for coming. As you are aware, I personally and several members of the committee are extremely distressed at the Commission's decision. I understand the process by which they

are not here to respond, and it would not be fair for us to vent our frustration and anger at you; you are merely the staff. You didn't make the decision.

But I must say that I am really coming to believe that the system just doesn't work, and that it has become so enmeshed in tables and statistics that common sense simply goes out the window. And we in the Congress must now undertake a comprehensive analysis to determine what kind of major overhaul may be necessary, not just tinkering with section 201, to determine how we can put into effect what was the clear intention of Congress at the time this law was enacted.

I thank you very much for your willingness to come here. I will have some further questions of a factual nature which I will submit in writing, and I ask for your response as promptly and as fully as possible.

Thank you all very much.

Mr. FRYE. Thank you, sir.

Senator MITCHELL. The panel next before us will consist of Mr. Peter J. Mangione, Mr. Joseph Shell, Mr. Dale Hilpert, and Mr. Chris Van Dyke.

Before proceeding, I would like to welcome Senator Symms. Senator, do you have a statement that you wish to make?

Senator SYMMS. No, I have no statement.

I apologize for being late. As you know, we had a conflicting hearing in our other committee. I appreciate you being here. I have been up at the Public Works Committee.

I am delighted to be here, and my time is limited, so I will just listen. I don't have any questions to ask right now. Thank you, Mr. Chairman.

Senator MITCHELL. Thank you.

Gentlemen, welcome. Why don't we proceed in the order in which the witnesses are listed.

Mr. Mangione?

Let me say first that all of your written statements will be included in the record in full. As with the previous witnesses, I would ask that you limit your summary oral remarks to 3 minutes each. That will give us a chance to ask any questions we might have.

Mr. Mangione?

STATEMENT BY PETER T. MANGIONE, PRESIDENT, VOLUME FOOTWEAR RETAILERS OF AMERICA, WASHINGTON, DC

Mr. MANGIONE. Thank you, Senator Mitchell.

My name is Peter Mangione. I am president of the Volume Footwear Retailers of America, and I am accompanied by counsel, Michael P. Daniels of the firm of Daniels, Houlihan & Palmeter. Our members account for about 50 percent of retail sales of footwear and produce in their own U.S. plants approximately 15 percent of U.S. production.

Since our testimony on May 25, the ITC by unanimous vote found no injury to the U.S. nonrubber footwear manufacturing industry.

Also, since that decision, S. 2731 has been introduced which would override the ITC decision and impose quotas cutting back imports by 31 percent.

We are opposed to this legislation and any other measure which would impose restrictions on imports of footwear.

Enactment of this bill would undermine the process which the Congress has established to deal with import competition. The very reason for the enactment of the escape clause and our whole system of foreign trade regulations was to impose the rule of law and avoid throwing these highly sensitive problems into the political arena. In the postwar era, we know of no quota bill that has ever been passed by the Congress.

Even the override provisions of the Trade Act required a finding of injury by the Commission before they became operative. To overturn the ITC decision in the manner proposed by S. 2731 would be unprecedented and would destroy the integrity of the process by which decisions are made in the trade field.

The ITC is an objective, impartial, and bipartisan body. In recent weeks it has found injury to the copper industry and to most steel sectors. This is not the record of a skewed commission.

Indeed, we strongly believe the ITC decision in footwear was correct. The Commissioners noted that, after its 4-year period of import relief, the nonrubber footwear industry has successfully adjusted to import competition, achieving an operating profit of 8.8 percent. I draw your attention to the chart in front of me and the tables appended to our testimony.

In addition, and perhaps most important, most of the increase in imports has been in the market segments of least importance to domestic producers—low-price and athletic footwear.

The process of adjustment can involve modernization and automation. It can also include abandoning nonproductive lines of production. The process of adjustment thus contemplates closing of obsolete and inefficient plants.

American manufacturers are competitive because they have realigned their production out of low-priced footwear into higher priced, particularly branded footwear. Those who disagree with the Commission's decision point to the growth in imports and the increase in the import/consumption ratio as proof of injury. What has occurred is a huge growth in consumption, which has been accounted for by imports. The growth in consumption is due to the explosive consumer demand for low-priced and athletic footwear, products not produced by the domestic industry in any volume.

The consumption increase was created by imports, and it would not have taken place without imports.

Turning to S. 2731 itself, we believe that quotas on footwear impose a hidden tax on consumers and subsidize an already profitable industry. Quotas reducing imports by 31 percent, as calculated in a recent study by Dr. William R. Cline, would cost consumers about $3 billion a year. The consumer cost per job created would exceed $60,000 per year. Quotas would award windfall profits to firms not in need of assistance, and would not guarantee in any way improvement for those firms or workers experiencing difficulty.

Quotas would benefit foreign suppliers at the expense of consumers and American retailers, since the foreigners would charge for quotas, increase prices, and upgrade products, as precisely happened in the last quota period and as has occurred with a vengeance in the case of automobiles

The availability of lower priced footwear, which is especially important to low-income consumers, would be greatly reduced.

For these reasons, we urge that S. 2731 be rejected by the committee. Thank you.

Senator MITCHELL. Thank you, Mr. Mangione.

Mr. Shell?

[Mr. Mangione's prepared testimony follows:]

VFRA

Volume Footwear Retailers of America

1319 F STREET N.W. / WASHINGTON, D.C. 20004 / TEL. (202) 737-5660

PETER T. MANGIONE
PRESIDENT

TESTIMONY OF PETER T. MANGIONE
PRESIDENT, VOLUME FOOTWEAR RETAILERS OF AMERICA
BEFORE THE SUBCOMMITTEE ON INTERNATIONAL TRADE
COMMITTEE ON FINANCE
UNITED STATES SENATE
JUNE 22, 1984

Mr. Chairman, Members of the Committee:

My name is Peter Mangione. I am President of the Volume Footwear Retailers of America. I am accompanied today by counsel, Mr. Michael P. Daniels, of the firm of Daniels, Houlihan and Palmeter, P.C. Our members account for about 50% of retail sales of footwear and produce in their own U.S. plants approximately 15% of U.S. production.

We welcome this opportunity to appear before the Committee again. Since our testimony on May 25, the United States International Trade Commission, by a unanimous (5-0) vote on June 6, found no injury to the U.S. non-rubber footwear manufacturing industry. Unfortunately, the extensive Commission report is not available today, and probably will not be available until mid-July. We had hoped that the Committee might have postponed these hearings and an evaluation of the decision until such time as it had an opportunity to examine the full opinion of the ITC.

Also, since our testimony and since the ITC decision, a bill, S. 2731, has been introduced which would override the ITC decision and impose quotas cutting back imports by 31% from 1983 levels. We are completely opposed to this legislation or any other measure which would impose restrictions on imports of non-rubber footwear.

We believe that enactment of this bill would undermine the process which the Congress has established to deal with problems of import competition. The very reason for the enactment of the escape clause and our whole system of foreign trade regulation was to impose the rule of law and avoid throwing these highly sensitive problems into the political arena.

In the post-war era, we know of no quota bill that has ever been passed by the Congress.

Even the "override" provisions of the Trade Act required a finding of injury by the Commission before they became operative.

To overturn the ITC decision in the manner proposed by S. 2731 would be unprecedented and would destroy the integrity of the process by which decisions are made in this field.

The ITC is an objective, impartial and bipartisan body. Proceedings under Section 201 involve extensive collection and analysis of data, field investigations and hearings. Out of 50 escape clause investigations since Section 201 was enacted in 1975, the Commission found injury in 29 cases, or 58%. In recent weeks, it has found injury to the copper industry by a unanimous vote of 5-0 and injury to most steel sectors by votes of 3-2. This is not the record of a skewed Commission. It is difficult to compare these cases with the footwear case since each involves different factors and circumstances which had to be taken into account. Nonetheless, it is worth noting that compared to profits in the non-rubber footwear manufacturing industry in 1983 of 8.8%, profits in the steel industry were minus 8.5%.

We are not suggesting that decisions by the ITC command instant agreement from all parties, any more than decisions by the United States Supreme Court. What we are saying, however, is that this was a unanimous decision and that the legal process itself should not be overturned by legislative action.

We further believe that the decision was correct. We append the statements made at the time of the decision by the Commissioners. Essentially, they decided:

-- The industry in 1983 achieved an operating profit of 8.8% on non-rubber footwear manufacturing (excluding importing and retailing), better than the all manufacturing average of 5.9%;

-- Most of the increase in imports has been in the market segments of least importance to domestic producers -- low price and athletic footwear; and

-- Thus, after its four-year period of import relief (1977-1981), the industry has successfully adjusted to import competition.

The escape clause is designed to provide a temporary period of relief during which industries will be given an opportunity to adjust to import competition. It is not a statute which is designed to provide permanent protection for industries, or sectors of industries, which cannot compete or adjust. The object of the statutory scheme is adjustment.

The statements by the Commissioners in reaching their decision indicate that the industry has successfully adjusted. The process of adjustment can involve modernization and automation, which usually involves employment reductions. It can also include abandoning non-competitive lines of production and concentrating on lines which are competitive. The process of adjustment contemplates closing of obsolete or inefficient plants.

Profitability is extremely important since it is the only way that adjustment can be measured. We have appended to our statement the profitability data on non-rubber footwear manufacturing excluding profits on retailing and importing. We have compared these data to profits by all manufacturing industries and to other industries. The figures speak for themselves. The non-rubber footwear manufacturing industry is highly profitable compared to other manufacturing industries.

American manufacturers are competitive because they have realigned production out of lower priced footwear into higher priced, particularly branded footwear. The industry has found a profitable niche in the marketplace, is well able to compete, and is generating sufficient profits to continue to modernize.

Those who disagree with the Commission's decision point to the growth in imports and the increase in the import/consumption ratio as proof of injury. What has occurred is a huge growth in consumption (102 million pair from 1982 to 1983) which has been accounted for by imports. The growth in consumption is due to the explosive consumer demand for low priced and athletic footwear -- products not produced by the domestic industry in any volume. The consumption increase was created by imports, and would not have taken place without imports. Since industry production and employment (measured by man hours worked) remained stable in 1982 and 1983, import growth did not injure the domestic producers of footwear.

The Commission also pointed out that about half of the imports are brought into this country by manufacturers of footwear. This should not be seen as an indication of injury to the domestic manufacturing industry but rather as a healthy adjustment to competitive conditions. American companies have imported in areas where they cannot compete in manufacturing but where they can utilize their distribution and marketing abilities.

Turning to S. 2731, we believe that quotas on footwear impose a hidden tax on consumers and subsidize a profitable industry.

Quotas reducing imports by 20% from current levels, as calculated in a recent study by Dr. William R. Cline, would cost consumers $2 billion annually in extra costs and increase prices by 13 percent. Total consumer costs would be $10 billion or higher over a period of five years. The consumer cost per job created would be as high as $62,400. Since S. 2731 would cut imports by at least 31% rather than the 20% utilized in the Cline study, the costs would be considerably higher.

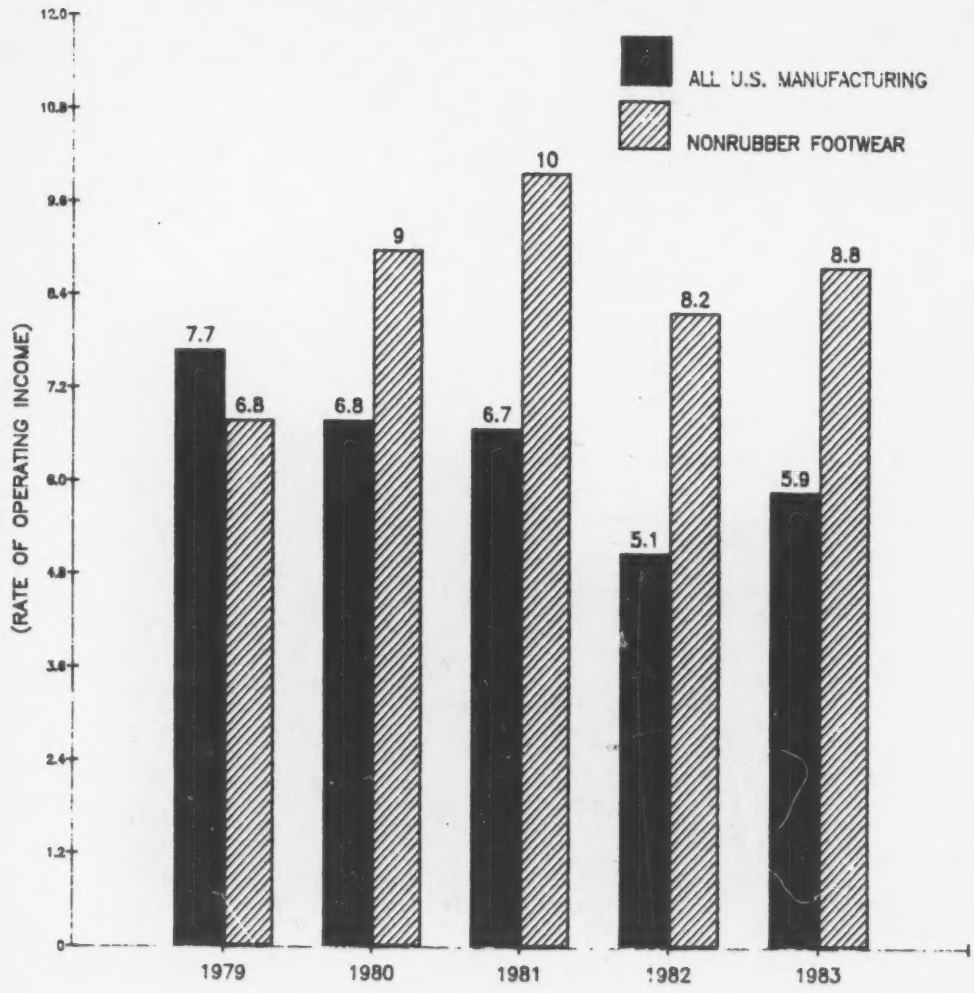
Quotas would award windfall profits to firms not in need of assistance and would not guarantee improvement for those firms and workers experiencing difficulty.

Quotas would benefit foreign suppliers at the expense of consumers and American retailers, since the foreigners would charge for quotas, increase prices and upgrade products (as happened in the last quota period and has occurred in automobiles). The availability of lower price footwear, which is of special importance to low income consumers, would be greatly reduced.

Quotas would entail retailiation by foreign governments on almost $4 billion in trade, jeopardizing American agricultural and manufactured exports.

For these reasons we urge that S. 2731 be rejected by the Committee.

OPERATING PROFITS AS A PERCENT OF NET SALES



Comparison of Nonrubber Footwear Manufacturing Industry
Operating Profit Margins with Those of Other Industries, 1972-83

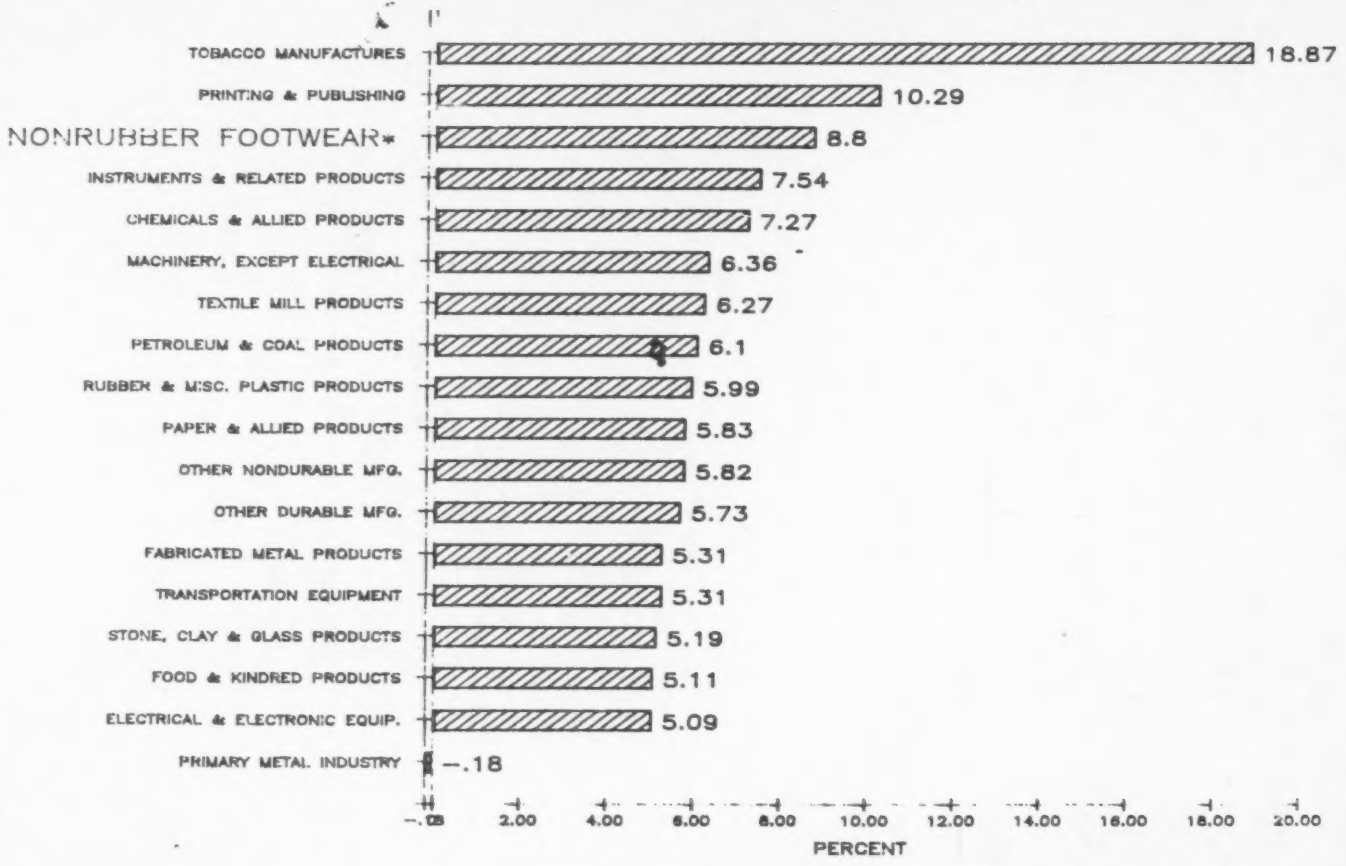
Ratio of Operating Income To Net Sales

Industry	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Nonrubber Footwear	**5.7**	**5.2**	**5.1**	**5.4**	**NA**	**5.4**	**5.6**	**6.8**	**9.0**	**10.0**	**8.2**	**8.8**
Textile Mill Products	5.3	6.0	6.2	4.2	5.7	5.6	6.3	6.2	5.2	5.4	4.5	6.3
Nondurable Goods	7.5	8.2	8.1	7.7	8.2	7.9	7.8	7.9	7.4	6.9	6.0	6.6
All U.S. Manufacturing	7.8	8.5	7.7	7.2	8.1	8.1	8.2	7.7	6.8	6.7	5.1	5.9

Source: Nonrubber footwear: Data for 1972 - 1975 as reported In USITC Publication 758, February 1976, At A-158; Data for 1977 - 1978 as reported in USITC Publication 1139, April 1981 at A-43; Data for 1979 - 1983 as reported In USITC Staff Report, Statistical Tables Excepted from the Prehearing Report to the Commission on Inv. No. TA-201-50, Nonrubber Footwear (April 20, 1984), at 16.

Other Industries - U.S. Department of Commerce, Bureau of Census, Quarterly Financial Report for Manufacturing, Mining and Trade Corporations, various Issues covering 1981/1983 data and Federal Trade Commission Quarterly Financial Report for Manufacturing, Mining and Trade Corporations, various Issues covering 1972-1980.

COMPARISON OF RATES OF OPERATING INCOME AS A PERCENT OF NET SALES FOR INDIVIDUAL MANUFACTURING INDUSTRIES, INCLUDING NONRUBBER FOOTWEAR, 1983



*PROFIT BASED ON MANUFACTURING; NOT INCLUDING PROFITS ON RETAILING AND IMPORTING

STATEMENT BY JOSEPH J. SHELL, PRESIDENT, NATIONAL SHOE RETAILERS ASSOCIATION, NEW YORK, NY

Mr. SHELL. My name is Joseph H. Shell, president of the National Shoe Retailers, 4,000 members with approximately 25,000 stores. Most of our members are independent, small shoe retailers doing half of the shoe business in the United States.

Our organization opposes any quotas on footwear. Of all the solutions recommended up to this time, S. 2731 seems to be a horrendous solution.

Retailing for the small independent is a difficult one. Our recent shoe study indicated that for 1982 and 1983 the pretax profits of the independent shoe retailers—pretax profits—were 1.3 and 1.2 in 1983. Over 1,000 companies in 4,500 stores participated in this study. In contrast, most shoe manufacturers did well; large retailers and importers did extremely well.

Any further hardships may be—the independents, the small independents, are fighting for survival. Any further hardships may or will drive many retailers out of the business.

Quotas will increase costs, increase bookkeeping, and render a hardship to independent retailers. Quotas are detrimental to the life of retailing. The increase of prices to consumers means less consumption and other hardships for the retail community.

The study significantly brought out the following facts: Despite the poor performance, 60 percent of the decline of the profitability came from reduced gross margin, and only 40 percent came from increased expenses. This study refutes the claim that most retailers prefer imports because of potential higher margins of profit of imported merchandise.

Import quotas usually favor the large, integrated companies and work a severe hardship on the small independent retailers. They also serve to enhance the profitability of offshore entrepreneurs.

NSRA strongly urges the subcommittee not to adopt disruptive legislation such as S. 2731 and to not impose greater hardships and burdens on the retail community in the footwear industry.

Approximately 350,000 people work and are involved in the retailing of footwear. And do not create quotas, do not create greater problems in an attempt to assist others.

Thank you.

Senator MITCHELL. Thank you, Mr. Shell.

Mr. Hilpert?

[Mr. Shell's prepared testimony follows:]

TESTIMONY ON BEHALF OF THE NATIONAL SHOE RETAILERS ASSOCIATION, JOSEPH J SHELL, PRESIDENT

Mr. Chairman, Members of the Committee, my name is Joseph J. Shell. I am President of the National Shoe Retailers Association, a 72-year-old organization which represents close to 4,000 companies with nearly 25,000 store locations engaged in the retailing of shoes and related products throughout the United States. Independent shoe retailers operate about one-half of the shoe stores in the U.S. and do over one-half of the shoe business. NSRA also has strong international ties, with individual members operating in Canada and Mexico and chapter affiliates as far away as South Africa.

I have spent a lifetime in the shoe retailing industry, operating my own stores which later became a part of a major national shoe corporation. For the past ten years, I have served as President of the NSRA and, during that period, I have had a first-hand opportunity to observe many of the changes which have taken place in the domestic footwear industry, both at the manufacturing level and at retail.

These changes were outlined as part of NSRA's May 25 testimony to this Subcommittee and I will not repeat them now. We are here this morning to state the strong opposition of the nation's independent shoe retailers to S. 2731, the American Footwear Act of 1984, which seeks to impose a permanent limitation of 400 million pairs of imported nonrubber footwear entering this country.

NSRA believes that such a quota (1) is not justified by the facts concerning the health of the domestic footwear manufacturing industry, (2) would be extremely disruptive of the footwear distribution and retailing segments of the industry, and (3) would result in higher prices to the nation's consumers.

Some members of this Subcommittee obviously believe that the domestic footwear manufacturing industry is heading toward total extinction. While we agree that some companies have had their problems, NSRA emphatically believes, as does the U.S. International Trade Commission, that the overall health of the industry is good and that many companies have learned to successfully compete with imports.

It is regrettable that this hearing has been scheduled before the USITC's formal report has been submitted to the President. We believe that when the report is printed in late July, it will show, as Commissioners Paula Stern and Alfred Eckes noted in announcing their decisions in the domestic industry's "escape clause" proceeding on June 6, that domestic companies are making more than "reasonable" profits, earned in the face of an economic recession and a surge of imports.

As Commissioner Stern succinctly summed up the situation, "The industry has not only coped (with imports), but (it) has succeeded."

NSRA believes that an unfortunate situation occurs in each instance when a domestic manufacturing plant is forced to close. All too often, imports are the scapegoat blamed for the closure when a detail examination of the situation reveals that, in most cases, the real reason was the domestic manufacturer's inability or unwillingness to "read" the market, to produce what the customer wanted.

Not all of the domestic manufacturing industry is oblivious to the changes which have taken place in the market during the last decade. And there must be some attraction in domestic manufacturing, because each year new companies start up with new ideas for serving the American consumer. There are success stories among domestic manufacturers, as we told the USITC:

-- Acme Boot Co. Perhaps best known for its Dingo brand Western boot, the company has recently produced a more contemporary line of casual sport boots aimed at the men's and women's market.

-- The Cherokee Group. This company began its corporate existence as a West Coast shoe manufacturer just 11 years ago and recently completed its first public stock offering after shoe sales topped more than $30 million in 1983. The company's principal shoe line includes open and closed-toe sandals and shoes made of leather and fabric, as well as clogs and boots. Cherokee has also competed successfully through design innovation, including a patented unit bottom for shoes constructed from molded polyurethane.

-- Desco. This is another company which has carved out a niche, with women's comfort footwear and boots being the primary product line.

-- Leverenz. A mid-western producer of men's and women's footwear that has updated its lines and had a banner year in 1983.

-- Maine Woods. This is also a relatively new entrant into domestic footwear manufacturing, producing casual footwear with a flair for contemporary styling.

-- Sebago. Best known for its Docksiders boat shoes, this company also manufacturers casual moccasins for the men's and women's market.

-- Zodiac. This small New England company significantly updated its fashion image to a current, more contemporary line. It proved that with this styling change, it could successfully compete with men's and women's boots and shoes.

Against this backdrop of a generally healthy industry and successful individual operators, the American Footwear Act of 1984 would disrupt the marketing of shoes by providing artificial protection on a permanent basis to domestic manufacturers. Since more than one-half of the manufacturers are responsible for more than one-half of all imports entering this country, the American Footwear Act would not stimulate new domestic jobs, but would rather insulate domestic manufacturers from the kind of competition which keeps all businesses sensitive to the needs of their customers.

S. 2731 would also be extremely disruptive for independent shoe retailers, already caught in a profit squeeze. The independent does not have direct access to foreign sources as does the large domestic company and thus would be at a distinct disadvantage in the chaotic implementation of the global quota scheme called for in the American Footwear Act.

The independent shoe retailer is currently engaged in a fight for survival. A recently-commissioned study by NSRA of more than 1,000 retail stores with an annual volume of more than $300 million revealed that pretax profits had sunk to 1.2% of gross sales in 1983, down one-tenth of one percent from the preceeding year. It's even more significant to note that more than 60% of the profit decline was caused by a decrease in retailers' gross margins, while only 40% was attributable to increased operating costs.

This study strongly refutes the claim of some that retailers import only because of the higher markups which can be made on foreign-made footwear.

With strong marketplace pressure on prices already a reality, the imposition of an across-the-board, global import quota would favor large, integrated companies and work a severe hardship on the small, independent retailer.

Finally, the imposition of quotas, as has repeatedly been demonstrated in many studies covering many product lines, would inevitably drive up prices to the consumer and result in decreased consumption which, in turn, would continue to depress the domestic manufacturing industry.

Mr. Chairman, some members of the domestic footwear manufacturing industry do need assistance. But the kind of assistance which they need is not the artificial protection afforded by S. 2731. They need competent and comprehensive marketing consultation, in order to make them better able to cope with the new trends in footwear consumption and to become viable competitors in the world marketplace.

In conclusion, NSRA strongly urges this Subcommittee to assist the domestic industry, not through the adoption of disruptive legislation such as S. 2731, but through the adoption of a "hands off" approach, which has worked well for the past few years and which can continue to have overall favorable effects for this industry.

STATEMENT BY DALE W. HILPERT, CHAIRMAN, VOLUME SHOE CORP., TOPEKA, KS

Mr. HILPERT. Senator Mitchell and members of the committee, I am Dale Hilpert, chairman of the Volume Shoe Corp. headquartered in Topeka, KS. Volume Shoe operates 1,450 retail shoe outlets across the country, selling primarily to low-income customers.

Mr. Chairman, I would like to stress three points to the committee:

First, the Congress should not lightly dismiss the deliberate unanimous findings of the International Trade Commission in the footwear case. The ITC was created for the precise purpose of establishing an independent expert process for evaluating the merits of these complex and often emotional issues.

Based on a thorough investigation and voluminous records, every commissioner concluded that the domestic industry is not being seriously injured by imports.

A subsequent 201 decision by the ITC in favor of the domestic steel and copper industries merely reinforces the conclusion that the Commission examines these cases on an individual merit, and the basis of standards for section 201 are adequate in appropriate cases.

Senator MITCHELL. Mr. Hilpert, if the Commission had found 5 to 0 that there was injury and recommended quotas, would you have urged the President to accept that recommendation and impose quotas?

Mr. HILPERT. No, sir.

Senator MITCHELL. Thank you. Proceed with your statement.

Mr. HILPERT. My second point is this: It is essential that Congress and this committee take a hard look behind the overall import penetration numbers, for the overriding fact is that the overwhelming bulk of imports simply do not compete with the bulk

of domestically-produced footwear. Eighty-five to 90 percent of the total value of nonrubber footwear produced in the U.S. is medium- to high-priced shoes, shoes that sell for more than $9.50 at wholesale. On the other hand, about 80 percent of the increase in imports since the OMA was lifted in 1981 are low-cost shoes, valued at under $9.50 wholesale.

With limited exceptions, domestic manufacturers cannot and do not produce shoes in these price lines.

In effect, Mr. Chairman, there are two footwear markets in the United States—the medium- to high-priced name brand markets, which continues to be dominated by the domestic manufacturers, and the low-cost unbranded footwear market dominated by imports.

The point is this: As Commissioner Stearn noted in this case, imports complement domestic production; they do not displace it. And as a result, if quotas are imposed the low-income customers will be hurt the worst.

That leads me to the third and final point: If S. 2731 were enacted, customers will pay dearly, and the low-income customers will suffer the most.

The Volume Shoe Corp. asked economists John Moody and Malcolm Vail to calculate the cost of S. 2731 using the economic model developed for the 201 case. Even with very optimistic assumptions the costs are staggering. The cash cost to the American consumer for S. 2731 over 5 years will be more than $6.4 billion, and the low-cost import footwear increases would be more than 40 percent. The consumer cost for each job created will be over $40,000 per year.

Mr. Chairman, American consumers, particularly low- to middle-income customers, should not be asked to pay 40 percent more for basic necessities such as shoes to give permanent relief to an industry that already is more profitable than most.

The legitimate concern of domestic workers and communities caught in the ongoing transition of this industry can and should be addressed, but not in a fashion that asks other Americans, equally on the margin in the economy, to pay the price.

[Mr. Hilpert's prepared testimony follows:]

TESTIMONY OF DALE HILPERT

CHAIRMAN, VOLUME SHOE CORPORATION
TOPEKA, KANSAS

BEFORE THE

INTERNATIONAL TRADE SUBCOMMITTEE
OF THE

SENATE FINANCE COMMITTEE

June 22, 1984

Mr. Chairman, Members of the Committee:

My name is Dale Hilpert. I am Chairman of Volume Shoe Corporation, headquartered in Topeka, Kansas. Volume Shoe operates 1450 retail shoe outlets across the country that sell primarily to lower income consumers. Volume is a wholly-owned subsidiary of The May Department Stores located in St. Louis, Missouri.

I welcome this opportunity to testify in support of the recent section 201 footwear decision of the International Trade Commission, and in strong opposition to S. 2731, the American Footwear Act of 1984.

Mr. Chairman, in the brief time available, I would like to stress three points to this Committee.

First, the Congress should not lightly dismiss the deliberate and unanimous finding of the International Trade Commission in the footwear case.

The ITC was created for the precise purpose of establishing an independent, expert and dispassionate process for evaluating the merits of these complex and often emotional issues. Based on a thorough investigation and a voluminous record, every Commissioner concluded that the domestic footwear industry is not being seriously injured by imports. The subsequent 201 decisions of the ITC in favor of the domestic steel and copper industries merely reinforce the conclusion that the Commission examines these cases on their individual merits and that the basic standards of section 201 are adequate in appropriate cases.

For the Congress, in effect, to overturn legislatively the ITC's judgment in this case would be to destroy the value of an independent ITC and to transform the Congress into the battleground for resolving the trade and adjustment problems of every American industry.

My second point is this: in evaluating the ITC decision and S. 2731, it is essential that the Congress, and this Committee, take a hard look behind overall import penetration numbers. For the overriding fact from the perspective of Volume Shoe Corporation is that the overwhelming bulk of imports simply do not compete with the overwhelming bulk of domestically produced shoes.

Eighty-five to ninety percent of the total value of non-rubber footwear produced in the United States is medium to higher priced shoes -- shoes that sell for more than $9.50 wholesale. On the other hand, about eighty percent of the increase in imports since OMA's were lifted in 1981 are low cost shoes -- valued under $9.50 wholesale. With limited exceptions, domestic manufacturers do not and cannot produce shoes at those prices. Indeed, that is why domestic manufacturers now account for more than half of all imports: they successfully manufacture higher value shoes in the United States and have retained about 70% of this U.S. market in dollar terms, while they import the low cost shoes they cannot competitively produce in this country.

In effect, Mr. Chairman, there are two footwear markets in the United States: a medium-to-high price name brand market which continues to be dominated by domestic manufacturers and a low cost unbranded footwear market dominated by imports. The point is this: as Commissioner Stern noted in this case, imports complement domestic production; they do not displace it. And as a result, if quotas are imposed, low income consumers will be hurt the most.

That leads me to my third and final point. As the Chairman has noted in another context, there is no "free lunch"

when it comes to import restrictions. If S. 2731 were enacted, consumers will pay dearly, and low income consumers will suffer the most.

Volume Shoe Corporation asked economists John Mutti and Malcolm Bale to calculate the costs of S. 2731 using the economic model they developed for the 201 case. I should note that the assumptions underlying the Mutti-Bale projections, for example on productivity growth rates, are extraordinarily favorable to the domestic industry. Nonetheless, even with these optimistic assumptions, the costs are staggering.

° The cash cost to American consumers of S. 2731 over 5 years would be more than $6.4 billion, as low cost imported footwear prices increase by more than 40%.

° The consumer cost for each new job created would be over $40,000 per year;

° Almost four dollars of extra profits will be shipped abroad, as a quota "premium", for every one dollar of new profits earned by U.S. manufacturers. Thus, S. 2731 will have with the ironic effect of funding a widening of the productivity gap between U.S. and foreign producers.

Mr. Chairman, American consumers, particularly low to middle income consumers, should not be asked to pay forty percent more for a basic necessity such as shoes to give permanent relief to an industry that already is more profitable than most. The legitimate concerns of domestic workers and communities caught in the ongoing transition of this industry can and should be addressed, but not in a fashion that asks other Americans -- equally on the margin of our economy -- to pay the price.

Senator MITCHELL. Thank you, Mr. Hilpert.
Mr. Van Dyke?

STATEMENT BY CHRIS VAN DYKE, EAST COAST COUNSEL, NIKE, INC., WASHINGTON, DC

Mr. Van Dyke. Senator Mitchell, my name is Chris Van Dyke, and I am east coast legal counsel for NIKE, an Oregon corporation.

NIKE has requested time to appear here today to present our view that, if legislatively created import relief is considered for the domestic nonrubber footwear industry, that athletic footwear be excluded from consideration.

On May 25 I appeared before this committee and submitted written and oral testimony which dealt what the separate and international character of the athletic footwear industry. I will not restate the arguments that I made at that time but ask that the materials submitted be made part of the record today.

At this time, NIKE will focus on what we believe to be the factors which make quotas on imported athletic footwear totally unnecessary and the holding of the ITC as it related to athletic footwear correct.

In the recent hearings before the International Trade Commission on imported footwear, virtually every U.S. manufacturer of athletic footwear responded to questionnaires sent to them by the ITC. The data collected indicates that the economic growth of the domestic athletic footwear industry over the past 5 years is indeed encouraging. From 1979 to 1983, data collected on domestic producers of athletic footwear demonstrates the following growth:

For example, the value of shipments by U.S. producers increased from $147 million to $290 million. The average number of production employees per manufacturer engaged in athletic shoe production increased from 4,840 to 6,877. The number of annual production-related hours worked increased from 8.2 million to 10.8 million hours. The total compensation paid to athletic footwear production workers during this period increased from $38.6 million to $73.1 million. And the hourly wage earned by the workers rose from $4.67 to $6.74, a 44-percent increase.

The ratio of inventory to shipments was down 2 percent; capital expenditures increased from $5.9 million to $9.8 million, and the net operating profit, the net sales ratio, increased an astronomical 2.6 to 11.7 percent.

I would like to stress that it is particularly important to measure the various economic inditia of help against the historical backdrop of the athletic footwear industry. In the early 1970's, the foreign producers Adidas and Puma literally dominated the athletic footwear market, and there simply was not a U.S. athletic footwear producing industry as we know it today. Currently there are over 40 producers of athletic footwear in the United States, employing thousands of employees and paying millions of dollars in wages and compensation. Foreign companies such as Adidas, Puma, and Pony are, conversely, opening new production facilities within the United States and hiring the U.S. worker.

The domestic athletic footwear industry is healthy, and since its inception in the early 1970's, it has balanced domestic production

with imports to become a truly international industry. There is simply no need to place import restrictions upon an industry which is economically viable and experiencing positive growth.

Thank you.

Senator MITCHELL. Thank you very much, Mr. Van Dyke.

Mr. Mangione, you devoted a considerable portion of your testimony to defending the integrity of the process, and I would like to ask you the same question I asked Mr. Hilpert.

If this decision had been 5 to 0 finding injury, and the Commission recommended quotas to the President, would you have supported that decision and urged the President to adopt quotas?

Mr. MANGIONE. No, sir. And the reason for that is very simple. I wouldn't have quarreled with their finding of injury, but we certainly would have advised the President on the nine criteria which the President must take into account which were not taken into account by the Commission, as Senator Danforth went through so painfully in such detail in the last hearing on May 25.

On those issues, Senator, quite frankly we feel that the President should not have recommended import relief, but we would not have quarreled with their injury decision had it been their objective judgment.

Senator MITCHELL. Thank you all for coming here today; we appreciate your testimony.

That concludes the hearing.

[Whereupon, at 12:35 p.m., the hearing was concluded.]

[The following communications were made a part of the hearing record:]

Statement by the Honorable Bill Emerson
Before the Senate Finance Subcommittee on International Trade
on the Domestic Nonrubber Footwear Industry
June 22, 1984

I appreciate this opportunity to share with you my shock and dismay at the decision of the International Trade Commission's rejection of the Section 201 import relief petition. My schedule prohibits me from appearing before you this morning, however, I am gratified that the Subcommittee has taken the time to review this decision and consider future remedies. It has been clear for some time that the footwear industry in my District is in dire need of help. I have pledged my support to the industry damaged by an unprecedented volume of imported shoes.

On June 6, the International Trade Commission denied the petition filed by Footwear Industries of America and two unions that are AFL-CIO affiliates. The ITC acknowledged that imports have captured 69 percent of the domestic market but unanimously rejected the request for relief from the flood of imports. The Commission overlooked that in the last six years seven factories in my District have closed and approximately 2,000 workers have lost their jobs although I conveyed that information to them. The economic damage caused by the penetration of imported nonrubber footwear is one of the most severe economic set-backs my District has experienced.

There are 28 remaining factories in my District. Most of the workers are women, many of whom supplement the earnings of small farm operations. Their jobs are vital. We must stem the tide of imported shoes and protect the jobs of these hard-working people. The loss of jobs and the spectre of abandoned factories must end.

I strongly support the legislation that I have cosponsored that would impose quotas on nonrubber footwear to not more than 50 percent. A reasonable level

given the nearly 70 percent penetration that now exists. The bill is simple, and provides straight-forward relief desperately needed by the industry and denied by the ITC. With imports now accounting for nearly three out of four pairs of shoes sold in America, this legislation caps the quota of foreign-made shoes to 400 million pairs annually. The bill also requires the Secretary of Commerce to determine global product limitations among importing countries based on a number of criteria which are outlined in the bill.

I commend the Chairman of the Subcommittee, Senator Jack Danforth, for conducting this hearing and pledge my support for continuing legislative remedies to the problems that beset the industry and the people who are integral to its survival in our nation.

STATEMENT OF THE

HONORABLE JAMES MCCLURE CLARKE

OF NORTH CAROLINA

Mr. Chairman, I appreciate having this opportunity to share with you my concerns about the plight of the American shoe industry.

The benefits provided to our nation by the domestic nonrubber footwear industry are many. It is a $9 billion industry at retail and accounts for a payroll of $1.3 billion in direct manufacturing. The industry has approximately 300 manufacturers operating 700 plants in 41 states. The employment picture of the industry is important with about 133,000 people employed in direct manufacturing and another 90,000 employed in supporting industries.

Devastation is the only way to describe the impact of imports on the domestic shoe industry. The import share of domestic consumption was 47 percent in 1976 and 1977. This figure has increased steadily with import penetration being 51 percent in 1981; 63.5 percent in 1983 (an increase of 21.3 percent in one year); and, over 70 percent in 1984. This level of import penetration is intolerable.

North Carolina is the thirteenth largest footwear producing state in the nation. In North Carolina alone, the industry employs approximately 3,350 people and accounts for a payroll of nearly $40 million. The nonrubber footwear industry is a significant employer in twelve North Carolina counties -- being the largest employer in one (Madison) and the second largest employer in five (Alleghany, Martin, Robeson, Watauga, and Wayne).

The shoe industry is a high labor-intensive industry, and footwear firms often constitute a major source of employment. This certainly is the case in Western North Carolina.

In my Eleventh District of North Carolina, the shoe industry is the largest employer in Madison County. The Blue Ridge Shoe Company, a part of the Melville Corporation, operates a plant there. Until recently, its future looked bright.

The shoe company is located in Hot Springs, North Carolina which has a population of approximately 700 people. Blue Ridge Shoe Company employs 434 people. Earlier this year, Melville Corporation announced that its operation in Hot Springs would be closed in August -- a direct result of the flood of imports. The 434 displaced workers have no place to go since this is the only industry in the area.

The question that is asked of me and that I pose to you is: "What will these workers do and does the government care enough about its citizens to really help?" There are no other industries in town or surrounding areas to absorb these workers. Additionally, the two nearest communities to Hot Springs are Newport, Tennessee (approximately 35 miles away with an unemployment rate of 24 percent) and Asheville, North Carolina (approximately 50 miles away with an unemployment rate of around 10 percent). How are these people going to buy their groceries, make their car and house payments, contribute to their community, and do the things we consider to be part of daily-life?

The toll of personal suffering and sacrifice in Madison County, North Carolina, and other parts of the nation is severe and will increase unless specific action is taken now. The time to act is now -- before the American shoe industry is lost forever!

It is extremely difficult, if not impossible, for free enterprise in this country to compete in an unfree world market. The domestic shoe industry filed a petition for relief under Section 201 of the Trade Act of 1974 and sought a comprehensive program to halt temporarily the flood of imports in order to give the industry time to become competitive. I supported that action strongly and urged the International Trade Commission to examine the evidence submitted in support of the petition and to provide the domestic shoe industry with its much-needed relief.

However, the ITC voted unanimously that the footwear industry is not experiencing serious injury or facing a threat of serious injury from imports.

I am disappointed in the ITC's decision, and it is obvious that import penetration will continue to climb unless the Federal Government acts responsibly and steps in to grant relief. With this in mind, I co-sponsored the American Footwear Act of 1984 (H. R. 5791). This legislation offers fair and appropriate relief to this important industry.

The administrative avenue for relief has failed, so Congress must act to provide the necessary relief to save the American shoe industry.

I congratulate you, Mr. Chairman, on holding these hearings and urge you and your colleagues to move expeditiously on this important matter before the American shoe industry disappears.

STATEMENT OF
CONGRESSMAN JOHN J. McKERNAN, JR.
SUBMITTED TO THE SENATE FINANCE SUBCOMMITTEE
ON INTERNATIONAL TRADE, JUNE 22, 1984; CONCERNING MEASURES TO PROVIDE IMPORT RELIEF TO THE DOMESTIC FOOTWEAR INDUSTRY, PARTICULARLY S. 2731, THE AMERICAN FOOTWEAR ACT OF 1984, AND AMENDMENTS TO THE TRADE ACT OF 1974.

I wish to commend this subcommittee for undertaking a fair and thorough examination of the issues facing the domestic footwear industry. As an original cosponsor of the American Footwear Act in the House, I am vitally interested in the proceedings of the subcommittee here today. I am convinced, also, that today's examination of the plight of the domestic footwear industry will bring us to conclusions quite different from those recently expressed by the International Trade Commission in its decision concerning the footwear 201 petition.

While it is important that our discussion of the imperiled footwear industry not center on facts we all know to be true, but rather on a more clear understanding of the issue at hand, the ITC's recent decision indicates that certain facts cannot be stated enough: the American footwear industry is endangered by an uncontrolled flood of foreign imports, and it is time that Congress take steps to restore equity to this trade. The most recent figures indicate that the domestic non-rubber footwear market has been all but totally captured by foreign footwear; 74% of all such shoes sold in America are not made here. This hurts American workers, and hurts the domestic footwear industry. Since 1981, some 27,000 footwear related jobs have been lost, and many, many factories have closed. This trend has not been simply the fluctuation of an industry in recession, but has been nothing short of the progressive disappearance of an important American industry; I, for one, do not plan to stand by and watch this happen.

Chairman Eckes of the ITC has assured us that the domestic footwear industry has suffered no "serious" injury, since some of its member companies have shown a modest profit, and since production and capacity have risen in the industry in recent years. It is difficult to agree with Chairman Eckes' assessment, however, when one reflects upon the actual effects of imported shoes on the domestic footwear industry. Consider, for example, that unemployment in this industry is still at 18%, that the closing of factories in hundreds of small towns has been devastating to local economies, and consider most of all, that the overall productive capacity of this industry has been drastically depleted through the forced closing of factories. Without swift help, without immediate steps to rectify the inequities of our footwear trading relationship with other nations, the American footwear industry is going to continue to fade. That just a few concerns in this industry have managed to survive the unchecked flow of imported footwear into this country is no argument that the industry has not been injured by imports. I reject Chairman Eckes assessment of what constitutes"injury", and I urge those at the hearing today to helps us find constructive ways to address the real problems faced by the American footwear industry.

Perhaps the benefit derived from the ITC's footwear decision, is that it so contradicts the available facts that there is developing a groundswell of new support for this troubled industry--a reaction, if you will, to the denial of relief through the Trade Act of 1974. Today, S.2731, and its counterpart in the House, H.R. 5791, offer us a new opportunity to obtain just relief for the footwear industry. By limiting imports of non-rubber footwear to 400 million pairs per year (or roughly 50% of the domestic

market), Congress would be creating a temporary relief period for the American footwear industry, allowing it the fair competition it needs to recover from recent adverse conditions. The proposals contained in the American Footwear Act of 1984 are fair ones. They do not seek to indulge in "protectionism", they require only that Congress recognize the serious injury that this industry has sustained, and give it the time it needs to recover from that injury. By its efforts to modernize and re-tool in spite of difficult conditions, the domestic footwear industry has shown that it has the technology, mangagement, and workers to rebuild its strength. I am a committed supporter of American footwear, and I intend to see that this industry gets the relief it deserves. Consideration of strategies for relief before the subcommittee today is the next important step toward securing that relief. I thank the subcommittee Members for their efforts, and for allowing me to submit this statement.

TELEPHONE 589-6969

PILAR RIVER PLATE CORP.
8-10 LISTER AVENUE
NEWARK, NEW JERSEY 07105

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R.R.#1, Box 173
Brookfield, N.H. 03872
July 16, 1984

Mr. Roderick A. DeArment, Chief Counsel
COMMITTEE ON FINANCE, Room SD-219
Dirksen Senate Office Building
Washington, D.C. 20510

Gentlemen:

RE: Subcommittee on International Trade, U.S.Senate Finance Committee
Hearing of Friday, June 22, 1984
Subject: "Measures to provide import relief to the domestic non-rubber footwear industry."

The following material contains my reaction to the INTERNATIONAL TRADE COMMISSION ruling of June 8, 1984 pertaining to the above subject as well as my statement to the Department of Defense and their concerned reply and reaction as regards the future ability of the shoe and leather industries of the United States to meet military requirements.

It is interesting to note that the Department of Defense has now established a "Standardization Program Problem" activity under their assignment number CT-86-8430-S-01 to investigate " Shrinkage of the U.S. Shoe Industry.

Richard L. Peckham

Richard L. Peckham

MANUFACTURERS OF TANNING EXTRACTS AND MATERIALS FROM ALL PARTS OF THE WORLD

TELEPHONE 589-6969

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8-10 LISTER AVENUE
NEWARK, NEW JERSEY 07105

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R.R.#1, Box 173
Brookfield, N.H. 03872
June 18, 1984

To summarize the inclosed letter:

1. The shoe industry of America is in dire need of import relief in the form of a 50% "cap" on all imported leather footwear for its basic survival.

2. Senator Cohen of Maine has proposed legislation in Congress for the establishment of such an import quota "cap".

3. Please support this legislation and any other efforts to provide relief from the effects of imports on the domestic shoe factories.

4. Because my personal livelihood and professional career are threatened by the present plight of the domestic shoe factories, I hold the present federal administration, Congress, and the Republican Party responsible for the current absence of such import relief. If no such protection is enacted prior to the November 1984 national election, I shall no longer support the Republican Party nor its candidates with either my vote or my money. In addition, I shall urge others to do likewise.

Richard L. Peckham

PILAR RIVER PLATE CORP.
8-10 LISTER AVENUE
NEWARK, NEW JERSEY 07105

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BLENDS MADE TO YOUR ORDER

R.R.#1, Box 175
Brookfield, N.H. 03872
June 18, 1984

On Friday, June 8, 1984, the INTERNATIONAL TRADE COMMISSION (ITC) rendered a decision regarding import protection for the American Shoe Industry which will consequently prove to be disasterous to our country, the shoe and leather industries, their workers, and my personal livelihood. In denying any form of import protection to the shoe industry (those remaining shoe companies who maintain active plants here in the UNITED STATES) the ITC has furthered a trend which has resulted in a 70% closing of our American shoe industry and which will in the next two years show a 90% reduction in our last few of our shoe factories - closed. With the reduction we now see of its former production, it is difficult to consider the shoe industry any longer viable in the UNITED STATES.

WHAT A SHAME ! What an impact on the unemployment rate, suppose the shoe industry suppliers, our national capacity for military preparedness and response, and my personal business enterprise, as a supplier to the leather industry, which has already declined to 40-50% of its former size because of [illegible] shoe industry markets, my business has declined by more than 50% and is headed for total collapse.

One cannot blame the American shoe companies for importing cheap shoes; nor can we fault the consumer for buying these less expensive shoe products. But, we can hold a Federal Government responsible for political and economic policies which foster and encourage such short-sighted economical fiasco.

The Shoe Industry is not asking for subsidization such as the Government gave to Chrysler Corp. and Lockheed; it rather is asking that a "cap" equal to 50% of all leather shoe sales be placed on the imports. Senator Cohen of Maine has introduced a bill in the U.S.Senate asking for such a "cap" on leather shoe imports. This is the last chance for my business and the domestic operated shoe industry. Please support this legislation.

When addressing the problems caused by the present levels of imports into the UNITED STATES, we are not just talking about the shoe and leather industries; we also have to consider what has happened to our domestic steel, textile, rubber, auto, machine tool, electronic, chemical, and copper industries in recent years. All have decreased domestic operations to the point that the nation must depend on imports to satisfy the bulk of consumer demands. This is a frightening condition; especially, when one considers what position this nation would be put in theevent of a global conflict or other national emergency where the ipmort sources of supply were effectively cut off or successfully threatened. As a case in point, examine the Middle-East war between Iran and Iraq, the effect on world-wide oil supply imports, and the crisis attitude that is building even now in the U.S.A. because of possible future oil shortages. Multiply this situation ten or twenty fold and you have a condition which our economy and our government could never survive.

We are not talking here of Nicaragua, or Lebanon, or some other far off international hot spot where we pour in billions of our hard earned dollars. We are talking about the survival of my job, our industries, our workers, our economy, and the form of government under which we have chosen to live. Believe me- all are presently seriously threatened by our over-dependence on imports.

No economy or nation can long survive once it ceases to manufacture or grow commodities which have value on the open market. This is our tax base. This is our "Gross Nation Product". This is what the "service" segment of our economy is dependent upon. With no jobs to provide paychecks, citizens cannot pay taxes or buy consumer goods-domestic or imported.

Please support the import "cap" bill and any other such legislation. LET'S SAVE AMERICA.

Sincerely,

Richard L. Peckham

Richard L. Peckham

cc: Pres. Ronald Reagan
Mr. Frank Fahrenkopf
Sen. Gordon Humphrey
Sen. Warren Rudman
Congressman Norman D'Amours

DEPARTMENT OF DEFENSE

STANDARDIZATION PROGRAM ANALYSIS

FSC CLASS: 8430 Footwear, Men's
8435 Footwear, Women's

FISCAL YEARS: 1985, 1986, 1987, 1988, 1989

APPROVED: 1JULY 1984

WILLIAM O. MORRISON JR., LTC, USA
CHIEF, TECHNICAL & QUALITY ASSURANCE DIV
DIRECTORATE OF CLOTHING & TEXTILES
DEFENSE PERSONNEL SUPPORT CENTER

POINT OF CONTACT FOR INFORMATION:
Frank Piecyk
(215) 952-3015 AUTOVON 444-3015
STANDARDIZATION SECTION
CATALOG BRANCH
DPSC-TTFS 2800 S. 20th Street
PHILADELPHIA, PENNSYLVANIA 19101

ASSIGNEE ACTIVITY: DEFENSE PERSONNEL SUPPORT CENTER - CT

PARTICIPATING ACTIVITIES:

ARMY – USA NATICK RESEARCH & DEVELOPMENT CENTER

NAVY – USN CLOTHING & TEXTILE RESEARCH FACILITY

AIR FORCE – USAF CLOTHING & TEXTILE OFFICE (AFLC)

DOD/GSA INTEGRATED MATERIEL MGR DPSC

INDUSTRY ASSOCIATIONS/SOCIETIES:

American Leather Chemists Association
Footwear Industries of America
Tanners Council of America

I. EXECUTIVE SUMMARY.

Federal Supply Classes (FSCs) 8430 and 8435 cover men's and women's footwear, including rubber, athletic and safety footwear.

An opportunity involving the use of fiberglass shanks in lieu of steel shanks in military footwear is progressing well. Specification Preparing Activities are revising or amending documents to allow the use of fiberglass shanks as an alternate method of construction where applicable. Projected completion date for this opportunity is 4th Qtr FY 1984.

Two opportunities involving the elimination of nonstandard items in FSC 8430 and 8435 have been successfully completed.

In the course of soliciting comments for the FY 1985 program analyses, a response dealing with potential material and component shortages as well as loss of manufacturing availability was received from the American Leather Chemists Association (ALCA). Since it is impractical to print the entire reply, the salient points are given below:

1. In the event of a national emergency, neither the shoe nor the Leather Industries could produce sufficient product to satisfy both military and civilian demand.

2. Nearly 600 million pair of shoes or 70% of annual domestic sales were imported in 1983.

3. The two largest import sources are distantly located, i.e., Korea and Taiwan.

4. Since World War II, upwards of two-thirds of U.S. shoe factories and capacities have been lost along with their skilled work force.

5. One half of U.S. leather tanneries have closed due to the loss of the shoe factories. The following quote from the response tells the story "Present government policies have created an economic system and market environment which has bankrupt and virtually destroyed our domestic shoe and leather industries. Should this trend continue as a result of these policies, we will soon find it necessary to either import military footwear or establish government shoe factories to meet even our peacetime military requirements."

While these comments were made by an Industry association, they are significant enough to warrant the establishment of a standardization program problem for which activity will be reported in future issues of this document. The problem number assigned is CT-86-8430-S-01, shrinkage of the U.S. Shoe Industry.

R.R.#1, Box 173
Brookfield, N.H. 03872
June 5, 1984

Lt. Col. William C. Morrison, Jr.
DEFENSE LOGISTICS AGENCY
Headquarters, Defense Personnel Support Center
2800 South 20th Street
Philadelphia, Pennsylvania 19101

Attn: DPSC-TTFS

Dear Sir:

The inclosed statement is intended as a comment on paragraph b. sections (1) and (3) of your letter of April 20, 1984, Subject: "Standardization Program Analyses in Federal Supply Groups 83 and 84, and Federal Supply Class (FSC) 7210.

While the statement is general in nature and not specific to the subject categories of Federal Supply Groups and Classes, it is pertinant to the future availability and forecast of procurement of military footwear which falls within your area of interest and responsibility. I believe my views therein reflect the prevailing profile of anxiety being experienced and expressed by both the domestic shoe and leather industries.

Sincerely yours,

Richard L. Peckham
Chmn. ALCA Spec. Rev. Comm.

incl: -5
cys: ALCA
FIA
A.J.Pilar
Senator Humphrey
Senator Rudman
Rep. D'Amours
TCA

Either no one is listening or no one cares, but the fact is that in the event of a national emergency, neither the shoe nor the leather industries could possibly produce sufficient product to satisfy both the needs of the military and the civilian population of the United States.

From the inclosed data graphs supplied by the TANNERS COUNCIL OF AMERICA, it can be seen that nearly 600 million pair of shoes or about 70% of all the annual shoe sales in the United States are imported. In addition, the two largest import sources are strategically critical in that they are distantly located in the far-east ie... Korea and Taiwan.

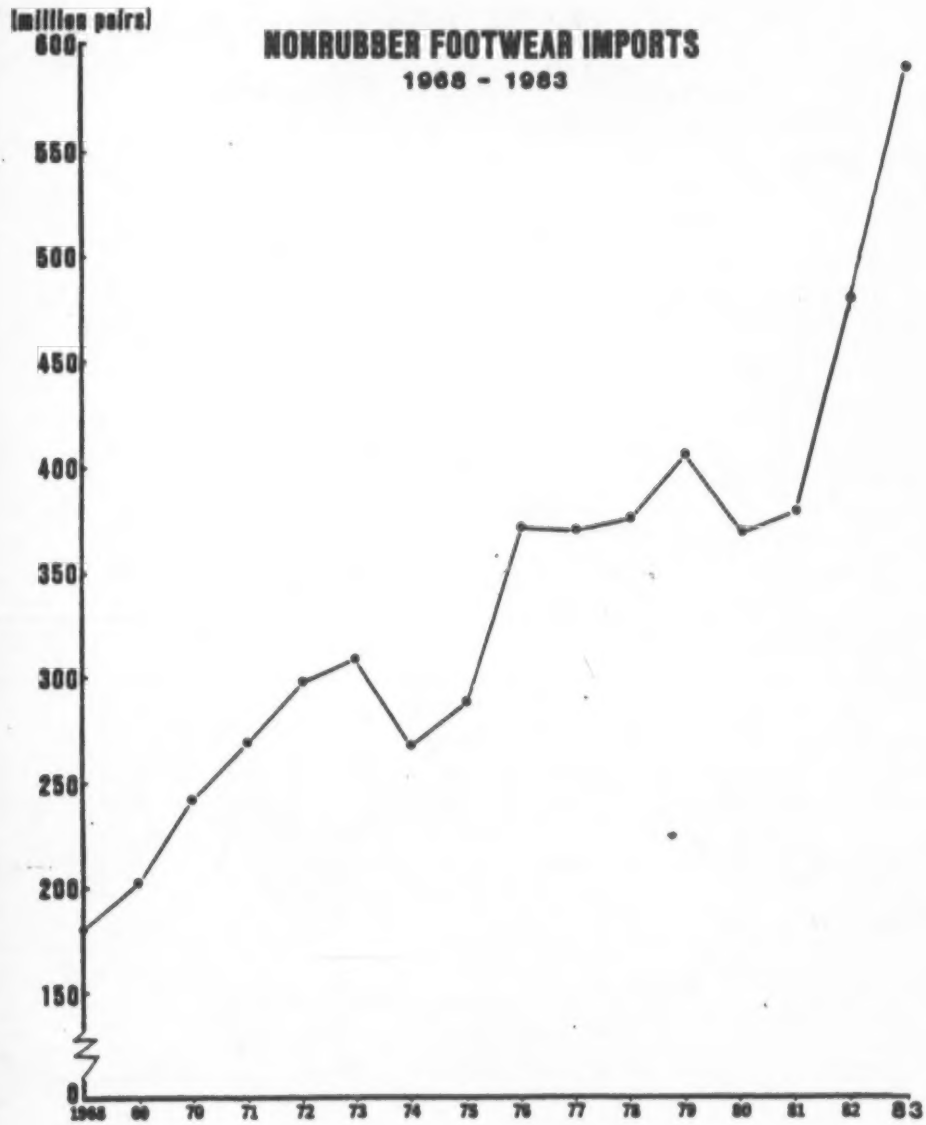
Factually, since World War II and the Korean War, upwards of two-thirds of our shoe factories and their production capacity have been lost and closed; with in addition, the loss of their equipment and trained labor force. Also, in the same time frame, one half of our leather tanneries have been closed - never to be reopened - due to those losses in domestic markets - the closed shoe factories.

The demise of both the shoe and leather industries has been caused by the effect of leather footwear imports.

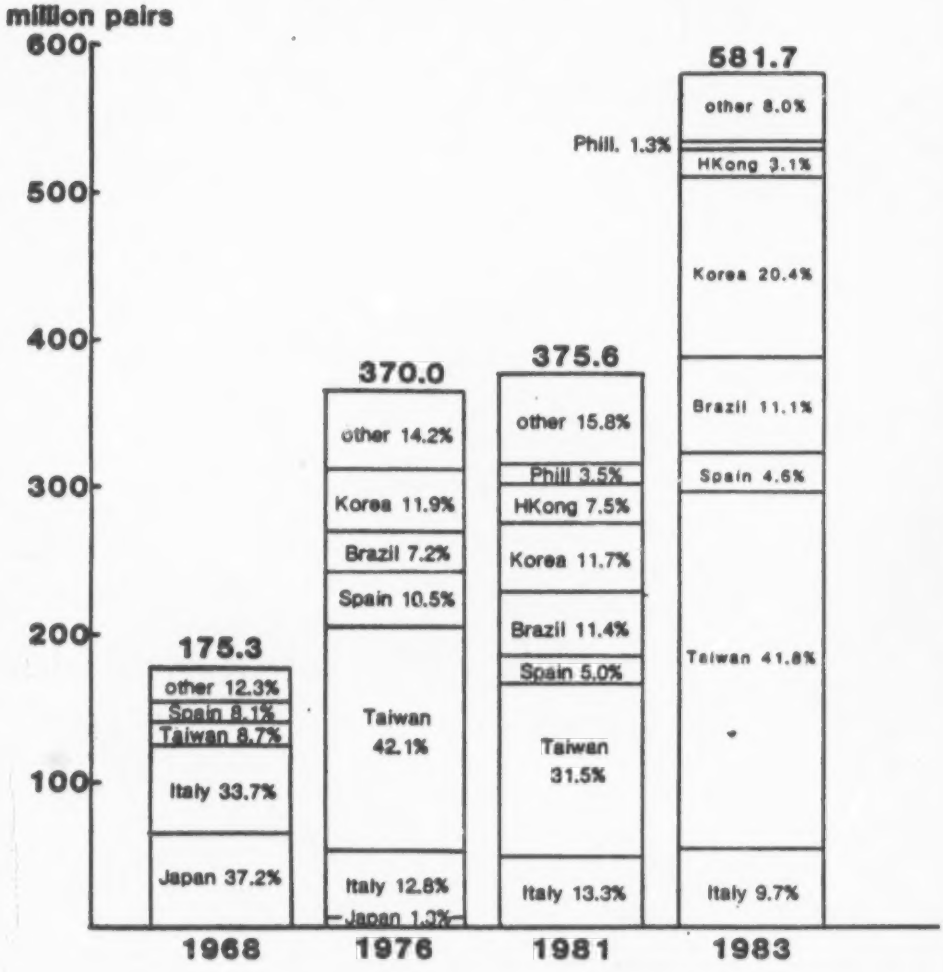
One can neither blame the shoe companies (low wholesale prices) nor the consumers (low retail prices) for patronizing and encouraging the impact of imports on the domestic market. However, one must consequently reflect on the economic system and political policies of our government which are blatantly designed to encourage and support the importation of leather footwear - supposedly to support the economies of emerging Third World Countries. Are Italy, Taiwan, Spain, Brazil, and Korea backward Third World Countries ? With their modern industrial capacities, I think not.

In sum, our present government policies have created an economic system and market environment which has bankrupt and virtually destroyed our domestic shoe and leather industries; thus depriving our country of the ability to produce footwear for our military establishment in the event of a national emergency. Should this trend continue as a result of these policies, we will soon find it necessary to either import military footwear or establish government shoe factories to meet even our peace-time military requirements. The Department of Defense must seriously consider these facts and their consequences, or bear full responsibility for the resultant crisis in procurement of military footwear.

Richard L. Peckham
June 5, 1984


(million pairs)
NONRUBBER FOOTWEAR IMPORTS
1968 - 1983
600
550
500
450
400
350
300
250
200
150
0
1968
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83

SHARE OF NONRUBBER FOOTWEAR IMPORTS TAKEN BY MAJOR COUNTRIES



RETAIL INDUSTRY TRADE ACTION COALITION

STATEMENT BY THE RETAIL INDUSTRY TRADE ACTION COALITION
FOR THE SUBCOMMITTEE ON INTERNATIONAL TRADE
COMMITTEE ON FINANCE
UNITED STATES SENATE
FOR HEARINGS HELD ON JUNE 22, 1984

This statement is submitted on behalf of the Retail Industry Trade Action Coalition (RITAC). RITAC would like to take this opportunity to express its grave concern over legislation (S. 2731) now before this committee. S. 2731 would override a recent decision by the United States International Trade Commission and impose quotas on non-rubber footwear reducing imports by 31% from 1983 levels. RITAC is completely opposed to this legislation and any other measure that would impose restrictions on imports of non-rubber footwear.

RITAC was formed in order to represent the United States retail industry on all matters involving international trade policy and law. It consists of the chief executive officers of 20 retail firms and 8 national retail associations. Its executive committee chairman is William A. Andres, Chairman of the Board of the Minneapolis-based Dayton Hudson Corporation. Former J.C. Penney chairman Donald V. Seibert of New York is the Vice Chairman.

The retail industry is a significant segment of the American economy. It consists of 2 million establishments, most of them small businesses. It employs over 16 million employees, or 15 % of the American workforce. Its sales in 1983 totaled more than $1 trillion, the equivalent of almost one-third of the United States Gross National Product.

The retail industry is built on a single concept --

International Square, Suite 400 ☐ 1825 Eye Street, N.W. ☐ Washington, D.C. 20006
(202) 429-2015
Telex 440557 BRCORP

it is the customers' purchasing agent We buy goods for the American Consumer. Their interests are our interests. We stand or fall together.

As the voice of the American retail industry on international trade, RITAC is concerned about the drastic effects of the 31% cut in imports mandated by S. 2731. A recent study by the noted economist, Dr. William R. Cline, found that a cut of even 20% would cost the American consumers $2 billion annually; it would increase prices generally by 13%; and it would decrease consumption by nearly 3%. S. 2731 proposes an even greater, and therefore costlier, cut in footwear imports. Again, in the event of a 20% cut in footwear imports the total cost to consumers would be at least $10 billion over 5 years. The interests of American consumers would clearly not be served by S. 2731.

It is RITAC's position that the question of protecting the U.S. footwear industry was disposed of by the U.S. International Trade Commission (ITC) when it voted unanimously (5 to 0) on June 6, 1984, to adopt a finding that imports were not causing injury to that industry. Congress established the ITC to handle just such issues in an objective and rational fashion. Enactment of S. 2731 would undermine the integrity of this system, it would ignore the actual condition of the American footwear manufacturing industry and it would be contrary to the interests of the American people.

The footwear industry's call for protection at this time clearly reflects the wrongheaded nature of arguments for protectionism generally. The cost of such protection to American consumers has been well documented. However, members of Congress should also consider the cost of retaliation that such protection would inevitably bring. Such retaliation from our trading partners will cost American jobs and will hurt those American industries that are most dynamic and competitive internationally. In addition, the domestic footwear industry is asking for protection at a time when the industry is extraordinarily profitable. The Volume Footwear Retailers of America provided data to this subcommittee showing that non-rubber footwear manufacturers have been more profitable than U.S. manufacturers as a whole for each of the last four years. Given these circumstances, no argument for protection can be compelling.

The domestic non-rubber footwear industry has raised the jobs issue. RITAC is critically concerned with questions of employment in this country. It is precisely for this reason that RITAC opposes S. 2731 and other forms of protectionism. Total growth in employment in the retail sector from 1978 to 1983 was 6.3%, or 1.2% on an annualized basis. This job creation by the retail sector is faster than any other sector and the trend is continuing -- for retailing and for other growth sectors. Ironically, when the subject of jobs and trade comes up, one hears only of "saving"

jobs in certain ailing or uncompetitive industries through import restrictions -- not of creating jobs in our dynamic and competitive industries. There is growing evidence that protectionist measures "save" jobs only at the expense of jobs that could have been created elsewhere.

For these reasons RITAC urges the Subcommittee on International Trade of the Senate Finance Committee to reject S. 2731.

William A. Andres
Chairman, Executive Committee
Retail Industry Trade Action Coalition

AMERICAN ASSOCIATION OF EXPORTERS AND IMPORTERS, FOOTWEAR GROUP

WRITTEN COMMENTS ON S. 2731,
THE AMERICAN FOOTWEAR ACT OF 1984
(HEARING: JUNE 22, 1984)

SUBCOMMITTEE ON INTERNATIONAL TRADE

The American Association of Exporters and Importers, Footwear Group ("Footwear Group") is of the view that it would be bad public policy for the United States to legislate import quotas. Through section 201 of the Trade Act of 1974, the United States has established unbiased procedures for determining whether import relief, such as quotas, should be applied. The statute establishes the criteria to be considered in determining whether to impose import relief.

As part of the process, it charges the United States International Trade Commission with the responsibility of determining whether a domestic industry has been seriously injured by imports. The Commission is an unbiased body not dominated by any one political party. On a daily basis, it conducts investigations on all areas of international trade.

The recent decision of the Commission on nonrubber footwear is a well-reasoned determination fully consistent with law and the economic and financial state of the domestic footwear industry. The Commission probably is more knowledgeable about the footwear industry than any other official body. It has investigated this industry at least five times in the last decade. A review of the decisions in each of these investigations shows the steady progress the industry has made as it has adjusted.

Adjustment is the purpose of section 201. Section 201 was not enacted to preserve the status quo for a domestic industry by giving that industry permanent protection. Rather, it was designed to give temporary relief to those industries which need it to adjust to import competition. Once such adjustment has taken place, however, relief should no longer be continued.

Naturally, every party to a section 201 proceeding has its own opinion as to when relief is no longer needed. This is the reason that that responsibility has been given to an independent body, such as the Commission, free of the political arena. The Commission has undertaken this responsibility in a highly professional manner. Its record for finding injury or not speaks for itself. Likewise, in the most recent footwear investigation, the Commission's written decision speaks for itself.

Accordingly, the Footwear Group respectfully requests the Committee to reject S. 2731.

Respectfully submitted,

Herbert C. Shelley
Plaia, Schaumberg & deKieffer,
Chartered
1019 19th Street, N.W., PH-II
Washington, D.C. 20036
(202) 785-4200

Counsel for the Footwear Group

STATEMENT OF ELAN IMPORTS, INC., TO THE UNITED STATES SENATE, COMMITTEE ON FINANCE, SUBCOMMITTEE ON INTERNATIONAL TRADE

RE: HEARING ON IMPORT RELIEF FOR THE UNITED STATES NONRUBBER FOOTWEAR INDUSTRY, JUNE 22, 1982

TO: CHAIRMAN JOHN C. DANFORTH and MEMBERS OF THE SUBCOMMITTEE ON INTERNATIONAL TRADE

On June 6, 1984 the United States International Trade Commission determined unanimously that footwear was not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic footwear industry of the United States. Sentate Bill 2731, the American Footwear Act of 1984 and amendments to Sec. 201 of the Trade Act of 1974 has now been submitted, the practical intent thereof being to limit importation of footwear to fifty per cent of domestic consumption.

The determination of the International Trade Commission resulted from a extraordinarily thorough investigation which culminated in a three day hearing before the Commission in May of this year.

It was recognized that imports had been increasing since the removal of the orderly marketing agreements. The question presented to the Commission and certainly of relevance to this Committee is the impact of those imports upon the domestic industry. The sum total of all the data reflected a rather clear conclusion that the domestic footwear industry was not suffering serious injury. It was reflective of the fact that firms representing the vast majority of domestic production were surprisingly profitable in their domestic manufacturing operations alone. Further, employment has stabilized while production capacity declined only slightly. It was also found that the large increases in imports were at the low end of the market, a good portion of which represented a type of footwear which domestic industry had consciously chosen not to produce, primarily because of its labor intensive nature in relation to its profitability. On the other hand, it was equally apparent that the domestic industry is relatively strong in the middle and upper end of the market.

It should be noted that the strength of domestic industry in the middle and upper end of the market has resulted in imports continuing to account for less than <u>half</u> of U. S. consumers' expenditures for footwear.

The domestic industry has historically been characterized by low barriers to entry and exit which has led to a history of plant closings regardless of the imposition of import relief. In fact, during a period of import relief in 1980 and 1981, plant closings reduced capacity by some 20,000,000 pairs of shoes annually, while closings after import relief in 1982-83 resulted in a loss of capacity of only 4,000,000 pairs.

The domestic footwear industry today is a dichotomized industry. Those firms which manufacture 70% of domestic production have maintained their capacity utilization rate since 1979 and have shown a corresponding substantial level of net profit. For example, firms which produce over 4,000,000 pairs annually and account for 53% of domestic production, showed ratios of net operating profit to net sales of 7.9% in 1979, 11.2% in 1981, 11.9% in 1982, and 11.2% in 1983. Actually it can be stated without hesitation that those firms which represent 85% of domestic production are financially healthy in today's competitive environment. It is only those basically smaller firms which represent the balance of 15% of domestic production which show any real indicia of injury. Historically, it has been the smaller firms which have been responsible for the substantial incidence of entry and exit from the industry.

It must, therefore, be clearly understood that this segment of the industry has always been marked by financial problems, closings, and the consequent unemployment which at times tends to skew the statistics when they are read in light of the total industry.

Unemployment in the industry dropped from a high of 41,000 in 1982 to a level of 37,000 in 1983. During the period of 1979 through 1983 the compensation to production and related workers increased by 31% from $4.79 to $6.27 per hour.

Further, it is those firms which count for a large portion of the U. S. nonrubber footwear production which are also responsible for a large portion of the total imports and at the same time are the most profitable. Therefore, one can only conclude that domestic manufacturers do not import footwear that compete directly with their own lines, but, rather, import to compliment their production, and this usually means footwear that cannot be economically produced domestically.

It is with this backdrop that Senate Bill 2731 must be viewed. Enactment of import quotas can only result in benefiting the most profitable producers while minimally aiding those marginal firms which have traditionally demonstrated a high level of industry exit while at the same time penalizing the

American consumer from the standpoint of denying the consumer a competitively priced product. Further, sheltering the few profitable firms can only cause distortion in the market place and ultimately, as experienced during the 1980-81 period of import relief, result in ultimately higher priced imported footwear at an unconscionable cost to the American public.

In conclusion, the domestic footwear industry as measured by the normal indicia of industrial health - employment, production and profitability - does not merit the type of drastic relief envisioned by Senate Bill 2731.

We would, therefore, encourage the Committee to defeat this unneeded legislation.

Respectfully submitted.

ELAN IMPORTS, INC.

By Fred B. Hunt Jr.

Fred B. Hunt, Jr.
Corporate Counsel
202 First National Bank Bldg.
P. O. Box 169
Shelbyville, TN 37160
615-684-4611

U.S. Council for an Open World Economy
INCORPORATED
7216 Stafford Road, Alexandria, Virginia 22307
(202) 785-3772

Statement submitted by David J. Steinberg, President, U.S. Council for an Open World Economy, to the Subcommittee on International Trade of the Senate Committee on Finance in a hearing on import relief for the U.S. nonrubber footwear industry. June 22, 1984

(The U.S. Council for an Open World Economy is a private, non-profit organization engaged in research and public education on the merits and problems of developing an open international economic system in the overall national interest. The Council does not act on behalf of any "special interest".)

Although it is right and proper for appropriate Congressional committees to concern themselves with the problems of U.S. industries, it is essential that Congress concern itself with such matters in the right and proper way. The scope and direction of the present hearing -- focusing on measures to provide import relief for the nonrubber footwear industry in the face of a 5-0 decision of the International Trade Commission rejecting the industry's claim of serious injury from imports -- constitute a poorly conceived course of action which serves neither the national interest nor the best interests of the industry and those who depend on it for all, most or much of their income.

Highlighting the proposed remedies are S.2731 (the American Footwear Act of 1984, limiting imports of nonrubber footwear to 400 million pairs per year) and S.2845 (amendments to Section 201 of the Trade Act of 1974 to clarify the standards for import relief in the hope of ensuring injury findings in cases like the recent footwear case). S.2731 should be rejected as outright protectionism in the full, discredited sense of the word. S.2845 should be rejected as tendentious tinkering with the "escape clause", and a far cry from the kind of "escape clause" reform that is needed.

Recourse to legislatively imposed import control would distort the process of orderly, objective handling of industry claims of serious injury from import competition -- a process assiduously sought in U.S. trade legislation over a long span of years. Seeking "orderly trade" in nonrubber footwear, S.2731 is a disorderly device that would impair prospects for high standards of due process of trade-policy law.

As for reform of Section 201, what is needed is not looser standards for import relief but utilization of the import-relief proceeding as the vehicle for determining what if any forms of government assistance (not limited to import restraint) may be needed, whether or not there is a finding that imports have caused

or threaten serious injury. Inter alia, the International Trade Commission and appropriate executive agencies should assess the impact of statutes and regulations materially affecting the industry's ability to adjust to import competition to determine if there are any inexcusable inequities. Any such inequities should be corrected forthwith as one component of coherent government attention to the real problems of the industry. Reform of 201 should require the petitioning industry and its work force to produce a prospectus of commitments they are prepared to make -- as part of a coherent redevelopment strategy -- to help ensure emergence of a viable industry in a rapidly changing world. Whether or not there is a finding of serious injury from imports, the case should go to the President for him to determine what if any government assistance of any kind is needed and appropriate to help the industry which had deemed its problems serious enough to warrant a plea for government assistance.

I have long criticized the ITC for not undertaking this kind of reform, even without a legislative mandate to do so. The law does not prevent such innovation. I have urged the President to be equally innovative along these lines. Neither the Commission nor the President has moved to this new frontier in this policy area.

Current Congressional attention to the footwear industry, reflecting pique at the latest ITC decision concerning this industry, portends protectionism in its simplistic concentration on import restriction to the neglect of other measures that more constructively address the real problems and needs of this industry. Congress must cast aside the old, discredited forms of Congressional attention to the problems of our weaker industries. To do this most effectively, it should require the ITC and the President to act more responsibly and more productively in their respective areas of responsibility in these trade issues. Pending reform of Section 201 along the lines I have advocated, Congressional committees should be more circumspect in their concern with the problems of industries that may need but are not getting adequate government response to problems that deserve government attention.

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE

U.S. SENATE FINANCE COMMITTEE

COMMENTS OF THE GOVERNMENT OF ARGENTINA

THROUGH ITS ECONOMIC COUNSELLORS OFFICE

REGARDING IMPORT RELIEF FOR THE

U.S. NONRUBBER FOOTWEAR INDUSTRY

HEARING DATE: JUNE 22,1984

I. INTRODUCTION

The Government of the Republic of Argentina, through its Economic Counsellors Office, wishes to take this opportunity to state its firm opposition to the current import relief petition (quotas) for the U.S. footwear industry.

As a preliminary matter, it is believed that if there is indeed any injury relating to imports, it does not result from the all-leather dress shoes of the kind exported from Argentina. It is further believed that any existing injury is primarily caused by factors other than imports, including major shifts in market demand. Although the United States

footwear industry has undergone substantial restructuring over the past several years, it is today a strong and highly profitable industry which has adapted to the international marketplace.

II. THE U.S. FOOTWEAR INDUSTRY IS NOT INJURED BY THE ALL-LEATHER DRESS SHOES IMPORTED FROM ARGENTINA

The products shipped from Argentina, clearly do not pose an import threat to the U. S. industry. As established in the Section 201 investigation, over 70 percent of the men's and children's leather dress shoes sold in the United States are purchased from domestic manufacturers. The U.S. producers of these shoes which compete with this category of products are economically healthy and cannot be said to be injured. It would be unfair to include in any injury determination imports of such products.

III. IMPORTS ARE NOT A SUBSTANTIAL CAUSE OF ANY INJURY TO THE DOMESTIC INDUSTRY

To the extend that there may be any injury incurred by the domestic industry, it is the result of factors unrelated to imports. Major shifts in market demand, resulting from the evolving American life style and fashions, have vastly

overshadowed any other cause of injury or possible injury. For example, athletic footwear has climbed to approximately 28 percent of total footwear market, from only 18 percent in 1977. Also, retail merchandising has substantially changed, magnifying in many respects the shift to casual and lower-cost footwear. Such shifts in the market must be recognized as a cause distinct from that of imports themselves.

IV. THE U.S. INDUSTRY HAS FULLY ADAPTED TO THE INTERNATIONALIZATION OF THE FOOTWEAR MARKET, IS ECONOMICALLY HEALTHY, AND IS NOT IN NEED OF PROTECTION

Since February of 1976, the U.S. footwear industry has gone to the International Trade Commission four times seeking import relief or extension of import relief pursuant to Section 201 of the Trade Act of 1974. The restructuring of the industry, which began well before 1976, has resulted in a healthy industry fully adjusted to imports.

Certainly there has been a certain consolidation and restructuring within the domestic industry. Producers were eased into that process of evolution and adaptation by prior import relief, and to the extend that it may still be underway, it is simply the action of any healthy industry in

which normal free market forces are at work. Some U.S. firms have indeed shut their doors, but at least 27 new U.S. manufacturing facilities have opened in the last two years.

The improved profit performance of the U.S. industry is well documented elsewhere, demonstrating unquestionably that the industry has adjusted successfully to import competition. The ratio of average net operating profits to net sales was 7.8 percent in 1983, up from 7.6 percent the year before. Not only are recent profit levels much higher than those of the U.S. industry in past years, they are also greater that those for most other U.S. industries.

V. CONCLUSION

In conlusion, the U.S. nonrubber footwear industry has enjoyed one period of relief and has emerged from that period as a healthy sector of the economy which is not suffering from serious injury caused by increased imports. If that industry is suffering from any injury, that injury is caused by factors unrelated to imports.

The imposition of quotas or other limitations would be unfair to efficient countries.

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